

THE DEPARTMENT OF STATE



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The Department of State BULLETIN, a weekly publication issued by the Public Services Division, Bureau of Public Affairs, provides the public and interested agencies of the Government with information on developments in the field of foreign relations and on the work of the Department of State and the Foreign Service. The BULLETIN includes selected press releases on foreign policy, issued by the White House and the Department, and statements and addresses made by the President and by the Secretary of State and other officers of the Department, as well as special articles on various phases of international affairs and the functions of the Department. Information is included concerning treaties and international agreements to which the United States is or may become a party and treaties of general international interest.

Publications of the Department, United Nations documents, and legislative material in the field of international relations are listed currently;

President Eisenhower Accepts Resignation of Secretary Dulles

Following is an exchange of letters between President Eisenhower and Secretary Dulles, released by the White House at Augusta, Ga., on April 16, in which the President accepted Mr. Dulles' resignation as Secretary of State.

President Eisenhower to Secretary Dulles

APRIL 16, 1959

DEAR FOSTER: I accept with deepest personal regret and only because I have no alternative, your resignation as Secretary of State, effective upon the qualification of your successor.

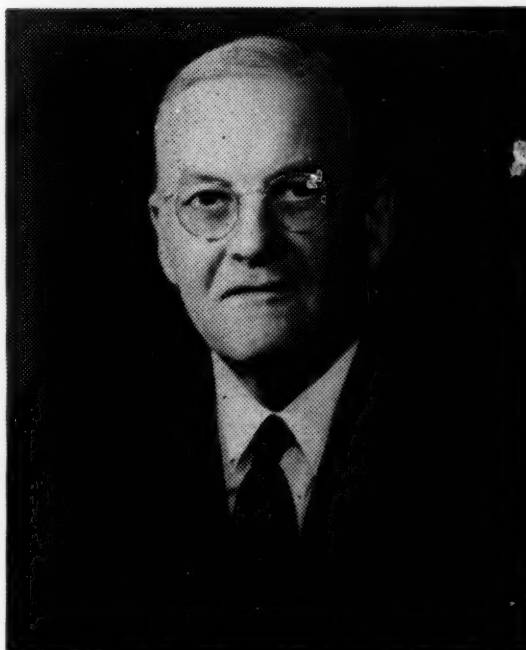
In so doing, I can but repeat what the vast outpouring of affection and admiration from the entire free world has told you. You have, with the talents you so abundantly possess and with your exemplary integrity of character, employed your rich heritage as well as your unique experience in handling our relations with other countries. You have been a staunch bulwark of our nation against the machinations of Imperialistic Communism. You have won to the side of the free world countless peoples, and inspired in them renewed courage and determination to fight for freedom and principle. As a statesman of world stature you have set a record in the stewardship of our foreign relations that stands clear and strong for all to see.

By this letter I request you to serve in the future, to whatever extent your health will permit, as a consultant to me and the State Department in international affairs. I know that all Americans join me in the fervent hope that you will thus be able to continue the important contributions that only you can make toward a just peace in the world.

With affectionate regard.

As ever,

D.E.



JOHN FOSTER DULLES

Secretary of State, January 1953-April 1959

Secretary Dulles to President Eisenhower

APRIL 15, 1959

DEAR MR. PRESIDENT: It is apparent to me that I shall not be well enough soon enough to continue to serve as Secretary of State. Accordingly, I tender my resignation to be effective at your convenience.

I am deeply grateful for the opportunities and responsibilities you have given me.

I was brought up in the belief that this nation of ours was not merely a self-serving society but was founded with a mission to help build a world where liberty and justice would prevail. Today

that concept faces a formidable and ruthless challenge from International Communism. This has made it manifestly difficult to adhere steadfastly to our national idealism and national mission and at the same time avoid the awful catastrophe of war. You have given inspiring leadership in this essential task and it has been a deep satisfaction to me to have been intimately associated with you in these matters.

If I can, in a more limited capacity, continue to serve, I shall be happy to do so.

Faithfully yours,

JOHN FOSTER DULLES

Confidence in the Continuing Growth and Strength of America

Remarks by President Eisenhower¹

This is the seventh time that I have had the honor of meeting with this group. Always before I have spoken extemporaneously, but I thought as a change of pace that it might be a good idea to take the results of some of my Augusta contemplation and put it on paper and therefore address you from notes.

First of all, of course, it is a great privilege to welcome you back to Washington, and once again you have my sincere thanks for the significant contributions you have made in developing a better public understanding of the important issues that confront our Nation.

I am especially grateful for your response to the serious economic challenge we experienced during the past year. Each of you will recall that when you were meeting here last May we were still at a very low point in the recent recession. Production was off, unemployment was up, and pessimistic voices were loud in the land.

Although the basic soundness of our economy was not in jeopardy, there was a danger that the prophets of doom might undermine confidence to the point where normal recovery would be unnecessarily and seriously retarded. It was per-

fectly possible for us to talk ourselves into far worse circumstances than we actually were.

"Confidence Campaign"

Obviously many of you recognized this possibility. Even before I met with you last year you had launched your now-famous "confidence campaign," designed to put all the talk about recession back into a proper perspective.

This "confidence campaign" was a material factor influencing the recovery movement that started last summer. Many other specific factors of course played a part in bringing about the upturn. But this matter of confidence—of morale—is fundamental to any human activity.

Without confidence, constructive action is difficult—often impossible. With it, miracles can be performed.

So I know you are all pleased to see the gains that recovery continues to chalk up. Total employment in March this year stood at nearly 64 million—a million above February, and a million and a half above a year ago. Unemployment at the end of March stood at 4,362,000—a drop of about 400,000 from the February total. We have every reason to believe that this trend will continue. Personal incomes are setting records each month, and the gross national product is now running at an alltime high of \$464 billion a year. And what is vitally important—we have been making this recovery while maintaining the soundness and honesty of our dollar! The consumer price index has held steady for nearly a year, which means that the recovery figures are genuine gains in actual buying power and goods produced.

We have made a fine start, and all the hard work we've done so far has paid off in stability. But we can't afford to relax for a single minute.

Some have told me that I am too concerned about this problem of inflation because for several months the indices have been reasonably steady. They forget that it is too late to repair a leaky roof when the rain is pouring down. This is exactly the time to think about inflation, because we can be certain that the problem will return to beset us. Only the most persistent counterpressures will keep prices where they belong. As usual the Advertising Council has anticipated the need, and you are well under way on your sound-

¹ Made before the 1959 Washington Conference of the Advertising Council at Washington, D.C., on Apr. 13 (White House press release).

dollar campaign. I congratulate you on your foresight and wish you every success on this latest of your important undertakings.

Building for the Future

Turning to the international situation, I note that Mr. Herter has just given you a briefing on this subject; so my own remarks will be short. But I would like to leave with you this thought:

We are up against a problem that has no fixed or definitely foreseeable termination. As long as the Communists insist that their aim is to dominate the world, we have no choice but to adopt measures that will prevent this from happening. So we follow the only sound course open to us. We hold up a military shield and from behind that shield we strive to build a world that is decent, a world that is rewarding to people.

If we can do this indefinitely, as to time—and confidently throughout the free world—then the Communist threat will tend gradually to shrink because the possibility of growth will be denied to it. Remember, two-thirds of the world's people and the great preponderance of its productive resources are on our side of the Iron Curtain. The need of America, of the free world, is to develop this great unrealized potential for peace, justice, and freedom.

This is going to take a long time. The vital requirement is not by any means exclusively a matter of military strength; the free nations urgently need economic growth and the free communication of ideas. The mainspring of this effort will be our American economy with our body of progressive traditions, knowledge, and beliefs.

We are challenged to prove that any nation, wherever it is, whatever its strength, can prosper in freedom, that slavery is not necessary to economic growth even in the atmosphere of a cold war of conflicting ideologies. We will have to show that people need not choose between freedom and bread; they can earn both through their own efforts. We must prove to other peoples what we have already proved to ourselves: that in providing for man's material needs private enterprise is infinitely superior to Communist state capitalism.

America must demonstrate to the world, even under the conditions of a global struggle, that personal liberty and national independence are not only cherished dreams; they are workable political concepts. Broadly stated, the test before us is an exercise in living—living in the presence of danger. We can recognize the danger, in potential aggression, and provide against it. But security is only one of the requirements of society. Our ability to go on existing as a free nation is the product of several factors, all interdependent. For example, such matters as solvency and security are natural complements in a free society. Over the long term we either provide for both or we will discover that we have provided for neither.

This is why it is so important that we do not become unhinged by tension and by crises; why we have such a direct concern in the long-range results of our educational process in the Nation; why we should concern ourselves with the trade problems of other free countries. This is why a stable dollar and a sound fiscal policy are so essential. Orderly, meaningful economic expansion cannot take place if inflation rots away the value represented in loans, insurance, pensions, and personal savings.

Economic expansion is an absolute necessity if we are to find jobs for our growing labor force, meet the Communist economic challenge, and pay for our costly armaments. Always we must act in the concept that we are building for the future—for the world of our children and those who come after them. We are the trustees of an ancient and noble inheritance which embodies the conviction of our forefathers that all men are endowed by their Creator with certain rights, rights that spell human dignity. We owe to those who will come after us the most responsible stewardship of these priceless values that we know how to provide.

So it is that we need a continuing "confidence campaign"—one to be practiced by all who believe in America. We need people who can look beyond today's tensions and tomorrow's troubles to see us as we really are: a powerful, peaceful nation, in whose continued growth and strength are found the one great hope of the world.

Developing the Rule of Law for the Settlement of International Disputes

Address by Vice President Nixon¹

An invitation to address this distinguished audience is one of the most flattering and challenging a man in my position could receive.

Flattering because the very name of this organization at least implies that the profession which I am proud to represent can properly be described as a science rather than by some of the far less complimentary terms usually reserved for politics and politicians.

And challenging because I realize that an Academy of Political Science expects a speech of academic character. I hasten to add, however, if it is proper to quote a Princeton man at a Columbia gathering, that in using the term "academic" I share Woodrow Wilson's disapproval of the usual connotation attached to that word. Speaking on December 28, 1918, in London's Guildhall he said: "When this war began a league of nations was thought of as one of those things that it was right to characterize by a name which, as a university man, I have always resented. It was said to be academic, as if that in itself were a condemnation, something that men could think about but never get."

In my view the primary function of the practicing politician and of the political scientist is to find ways and means for people to get those things they think about; to make the impractical practical; to put idealism into action.

It is in that spirit that I ask you to analyze with me tonight the most difficult problem confronting our society today. It is, as I am sure we will all agree, the simple but overriding question

of the survival of our civilization. Because, while none of us would downgrade the importance of such challenging problems as the control of inflation, economic growth, civil rights, urban redevelopment, we all know that the most perfect solutions of any of our domestic problems will make no difference at all if we are not around to enjoy them.

Perhaps at no time in the course of history have so many people been so sorely troubled by the times and dismayed by the prospects of the future. The almost unbelievably destructive power of modern weapons should be enough to raise grave doubts as to mankind's ability to survive even were we living in a world in which traditional patterns of international conduct were being followed by the major nations. But the threat to our survival is frighteningly multiplied when we take into account the fact that these weapons are in the hands of the unpredictable leaders of the Communist world as well as those of the free world.

What is the way out of this 20th-century human dilemma? For the immediate threat posed by the provocative Soviet tactics in Berlin, I believe that to avoid the ultimate disaster of atomic war on one hand, or the slow death of surrender on the other, we must continue steadfastly on the course now pursued by the President and the Secretary of State.

In the record of American policy, as it has unfolded since the time of Korea, our national resolves to stand firm against Communist aggression are clearly revealed. This has particularly been the case since the policy of containment matured into the policy of deterrence. In the recurrent

¹ Made before the Academy of Political Science at New York, N.Y., on Apr. 13.

post-Korean crises of the Formosa Straits, the Middle East, and now Berlin, the President and Mr. Dulles have given the Soviet leaders no possible cause to misconstrue the American intent.

I believe moreover that the Soviet leaders are equally on notice that regardless of which political party holds power in Washington these policies of resolute adherence to our principles, our commitments, and our obligations will prevail. I specifically want to pay tribute to members of the Democratic Party in the Congress for putting statesmanship above partisanship by making this clearly evident in the developing situation of Berlin.

We can also take confidence in the fact that at this moment the United States possesses military power fully adequate to sustain its policies, and I am certain that whatever is necessary to keep this balance in favor of the free nations and the ideals of freedom will be done, by this administration and by its successors regardless of which political party may be in power.

What this posture of resolute national unity taken alone must mean in the end, however, is simply an indefinite preservation of the balance of terror.

We all recognize that this is not enough. Even though our dedication to strength will reduce sharply the chances of war by deliberate overt act, as long as the rule of force retains its paramount position as the final arbiter of international disputes there will ever remain the possibility of war by miscalculation. If this sword of annihilation is ever to be removed from its precarious balance over the head of all mankind, some more positive courses of action than massive military deterrence must somehow be found.

Alternatives to Force

It is an understandable temptation for public men to suggest that some "bold new program" will resolve the human dilemma—that more missiles, more aid, more trade, more exchange, or more meetings at the summit will magically solve the world's difficulties.

The proposals that I will suggest tonight are not offered as a panacea for the world's ills. In fact the practice of suggesting that any one program, whatever its merit, can automatically solve the world's problems is not only unrealistic but,

considering the kind of opponent who faces us across the world today, actually can do more harm than good in that it tends to minimize the scope and gravity of the problems with which we are confronted by suggesting that there may be one easy answer. But while there is no simple solution for the problems we face, we must constantly search for new practical alternatives to the use of force as a means of settling disputes between nations.

Men face essentially similar problems of disagreement and resort to force in their personal and community lives as nations now do in the divided world. And, historically, man has found only one effective way to cope with this aspect of human nature—the rule of law.

More and more the leaders of the West have come to the conclusion that the rule of law must somehow be established to provide a way of settling disputes among nations as it does among individuals. But the trouble has been that as yet we have been unable to find practical methods of implementing this idea. Is this one of these things that men can think about but cannot get?

Let us see what a man who had one of the most brilliant political and legal minds in the Nation's history had to say in this regard. Commenting on some of the problems of international organization the late Senator Robert Taft said:

I do not see how we can hope to secure permanent peace in the world except by establishing law between nations and equal justice under law. It may be a long hard course but I believe that the public opinion of the world can be led along that course, so that the time will come when that public opinion will support the decision of any reasonable impartial tribunal based on justice.

We can also be encouraged by developments that have occurred in this field in just the past 2 years.

Not surprisingly the movement to advance the rule of law has gained most of its momentum among lawyers. Mr. Charles Rhyne, a recent president of the American Bar Association, declared in a speech to a group of associates in Boston a few weeks ago that there is "an idea on the march" in the world. He was referring to the idea that ultimately the rule of law must replace the balance of terror as the paramount factor in the affairs of men.

At the time of the grand meeting of the American Bar Association in London in July 1957, speaker after speaker at this meeting—the Chief Justice of the United States, the Lord Chancellor of Great Britain, the Attorney General of the

United States, and Sir Winston Churchill—eloquently testified that the law must be made paramount in world affairs.

An adviser to the President, Mr. Arthur Larson, left the White House staff to establish a World Rule of Law Center at Duke University.

One hundred and eighty-five representatives of the legal professions of many nations of earth met in New Delhi last January and agreed that there are basic universal principles on which lawyers of the free world can agree.

A year ago, through the activity of the Bar Association and by proclamation of the President, May 1—the Communist May Day—became Law Day in the United States.² The Bar Association stimulated more than 20,000 meetings over the country on the first Law Day. In a few weeks this tribute to an advancing idea will be repeated on a far greater scale.

President Eisenhower, you will recall, said in his state of the Union message last January:³

It is my purpose to intensify efforts during the coming 2 years . . . to the end that the rule of law may replace the rule of force in the affairs of nations. Measures toward this end will be proposed later, including reexamination of our own relation to the International Court of Justice.

I am now convinced, and in this I reflect the steadfast purpose of the President and the wholehearted support of the Secretary of State and the Attorney General, that the time has now come to take the initiative in the direction of establishment of the rule of law in the world to replace the rule of force.

Fuller Use of International Court

Under the charter of the United Nations and the statute of the International Court of Justice, institutions for the peaceful composing of differences among nations and for lawgiving exist in the international community. Our primary problem today is not the creation of new international institutions but the fuller and more fruitful use of the institutions we already possess.

The International Court of Justice is a case in point. Its relative lack of judicial business—in its 12-year history an average of only two cases a year

have come before the tribunal of 15 outstanding international jurists—underlines the untried potentialities of this Court. While it would be foolish to suppose that litigation before the Court is the answer to all the world's problems, this method of settling disputes could profitably be employed in a wider range of cases than is presently done.

As the President indicated in his state of the Union message, it is time for the United States to reexamine its own position with regard to the Court. Clearly all disputes regarding domestic matters must remain permanently within the jurisdiction of our own courts. Only matters which are essentially international in character should be referred to the International Court. But the United States reserved the right to determine unilaterally whether the subject matter of a particular dispute is within the domestic jurisdiction of the United States and is therefore excluded from the jurisdiction of the Court. As a result of this position on our part, other nations have adopted similar reservations. This is one of the major reasons for the lack of judicial business before the Court.

To remedy this situation the administration will shortly submit to the Congress recommendations for modifying this reservation. It is our hope that, by our taking the initiative in this way, other countries may be persuaded to accept and agree to a wider jurisdiction of the International Court.

Settling Economic Disputes

There is one class of disputes between nations which, in the past, has been one of the primary causes of war. These economic disputes assume major importance today at a time when the cold war may be shifting its major front from politics and ideology to the so-called "ruble war" for the trade and the development of new and neutral countries.

As far as international trade is concerned, an imposing structure of international agreements already exists. More complex and urgent than trade, as such, is the area of international investment. For in this area will be determined one of the most burning issues of our times—whether the economic development of new nations, so essential to their growth in political self-confidence and

² For text of the proclamation, see BULLETIN of Feb. 24, 1958, p. 293.

³ *Ibid.*, Jan. 26, 1959, p. 115.

successful self-government, will be accomplished peacefully or violently, swiftly or wastefully, in freedom or in regimentation and terror.

We must begin by recognizing that the task of providing the necessary capital for investment in underdeveloped countries is a job too big for mere government money. Only private money, privately managed, can do it right in many sectors of needed development. And private investment requires a sound and reliable framework of laws in which to work.

Economic development, involving as it does so many lawyers and so many private investors, will tend to spread and promote more civilized legal systems wherever it goes. Already, in its effort to encourage United States private investment abroad, the United States Government has negotiated treaties of commerce with 17 nations since 1946, tax conventions with 21 nations, and special investment guarantee agreements under the Mutual Security Act with 40 nations. A host of other special arrangements are in effect, such as those under which we have helped 6 nations draft better domestic legislation relating to foreign investment.

What has been done is for the most part good, but there are several areas where additional action is called for. The countries that need economic development most are too often least likely to have the kind of laws, government, and climate that will attract investment. The political risks of expropriation and inconvertibility against which the International Cooperation Administration presently sells insurance are not the only political risks that investors fear. Three United States Government commissions, as well as numerous private experts, have recently recommended a variety of improvements in our machinery for fostering foreign investment.

I select three for particular endorsement. Our laws should permit the establishment of foreign-business corporations meriting special tax treatment, so that their foreign earnings can be reinvested abroad free of United States tax until the United States investor actually receives his reward. In addition more tax treaties should be speedily negotiated to permit "tax sparing" and other reciprocal encouragements to investors. The ICA guarantee program should be extended to include such risks as revolution and civil strife. Finally, a concerted effort should be made to ex-

tend our whole treaty and guarantee system into more countries, especially those in most need of development.

The great adventure of economic development through a worldwide expansion of private investment is bound to develop many new forms and channels of cooperation between governments and between individuals of different nations. We need not fear this adventure; indeed we should welcome it. For if it sufficiently engages the imagination and public spirit of the legal profession and others who influence public opinion, it must be accompanied by the discovery or rediscovery, in countries old and new, of the legal principles and the respect for substantive law on which wealth and freedom alike are grounded.

There are encouraging signs at least that we are on the threshold of real progress toward creating more effective international law for the settlement of economic disputes between individuals and between nations.

Question of Interpretation of Agreements

Turning to the political area, we have now come far enough along in the great historic conflict between the free nations and the Communist bloc to know that negotiation and discussion alone will not necessarily resolve the fundamental issues between us. This has proved to be the case whether the negotiations took place through the very helpful processes of the United Nations or at the conference table of foreign ministers or even at what we now call the summit.

What emerges, eventually, from these meetings at the conference table are agreements. We have made a great many agreements with the Soviet leaders from the time of Yalta and Potsdam. A major missing element in our agreements with the Soviet leaders has been any provision as to how disputes about the meaning of the agreements in connection with their implementation could be decided.

Looking back at the first summit conference at Geneva, for example, we find that it produced an agreement, signed by the Soviet leaders, which elevated the hopes of the entire world. It should be noted, however, that the President and the Secretary of State repeatedly warned both before and after the holding of the conference that success could be measured only in deeds. One of the announced purposes of the conference was to

test the Soviet sincerity by the standard of performance.

The summit conference has since been characterized by some as a failure, but in terms of agreements, as such, it was a success.

Let me quote briefly from that agreement:⁴

The Heads of Government, recognizing their common responsibility for the settlement of the German question and the re-unification of Germany, have agreed that the settlement of the German question and the re-unification of Germany by means of free elections shall be carried out in conformity with the national interests of the German people and the interests of European security.

In other words, those who participated in the conference, including Mr. Khrushchev, agreed at Geneva on a sound method for dealing with the German problem—the very same problem from which he has now fathered the new crisis at Berlin. But while the agreement seemed clear, as events subsequently developed Mr. Khrushchev's understanding of its meaning was ostensibly different from ours.

The crucial question remained: How was the agreement to be effective when the parties disagreed as to what it meant? This is typical of a problem that can arise wherever any agreement is entered into between nations.

In looking to the future what practical steps can we take to meet this problem? I will not even suggest to you that there is any simple answer to this question. For obviously there can be none. But I do believe there is a significant step we can take toward finding an answer.

We should take the initiative in urging that in future agreements provisions be included to the effect: (1) that disputes which may arise as to the interpretation of the agreement should be submitted to the International Court of Justice at The Hague; and (2) that the nations signing the agreement should be bound by the decision of the Court in such cases.

Such provisions will, of course, still leave us with many formidable questions involving our relationships with the Communist nations in those cases where they ignore an agreement completely apart from its interpretation. But I believe this would be a major step forward in developing a rule of law for the settlement of political disputes between nations and in the direction all free men

hope to pursue. If there is no provision for settling disputes as to what an international agreement means and one nation is acting in bad faith, the agreement has relatively little significance. In the absence of such a provision an agreement can be flagrantly nullified by a nation acting in bad faith whenever it determines it is convenient to do so.

While this proposal has not yet been adopted as the official United States position, I have discussed it at length with Attorney General Rogers and with officials of the State Department and on the basis of these discussions I am convinced that it has merit and should be given serious consideration in the future.

The International Court of Justice is not a Western instrumentality. It is a duly constituted body under the United Nations Charter and has been recognized and established by the Soviet Union along with the other signatories to the charter. There is no valid reason why the Soviets should not be willing to join with the nations of the free world in taking this step in the direction of submitting differences with regard to interpretation of agreements between nations to a duly established international court and thereby further the day when the rule of law will become a reality in the relations between nations.

And, on our part, as Secretary Dulles said in his speech before the New York State Bar Association on January 31:⁵

Those nations which do have common standards should, by their conduct and example, advance the rule of law by submitting their disputes to the International Court of Justice, or to some other international tribunal upon which they can agree.

We should be prepared to show the world by our example that the rule of law, even in the most trying circumstances, is the one system which all free men of good will must support.

In this connection it should be noted that at the present time in our own country our system of law and justice has come under special scrutiny, as it often has before in periods when we have been engaged in working out basic social relationships through due process of law. It is certainly proper for any of us to disagree with an opinion of a court or courts. But all Americans owe it to the most fundamental propositions of our way of life to take the greatest care in making certain

⁴ For text, see *ibid.*, Aug. 1, 1955, p. 176.

⁵ *Ibid.*, Feb. 23, 1959, p. 255.

that our criticisms of court decisions do not become attacks on the institution of the court itself.

Making Peaceful Competition Possible

Mr. Khrushchev has proclaimed time and again that he and his associates in the Kremlin, to say nothing of the Soviet peoples, desire only a fair competition to test which system, communism or free capitalism, can better meet the legitimate aspirations of mankind for a rising standard of living.

Perhaps it is significant that the leaders of the free world do not feel obliged to so proclaim so often. The world knows that this is the only kind of competition which the free nations desire. It is axiomatic that free people do not go to war except in defense of freedom. So obviously we welcome this kind of talk from Mr. Khrushchev. We welcome a peaceful competition with the Communists to determine who can do the most for mankind.

Mr. Khrushchev also knows, as we do, that a competition is not likely to remain peaceful unless both sides understand the rules and are willing to have them fairly enforced by an impartial umpire. He has pointedly reminded the world that Soviet troops are not in Germany to play skittles. The free peoples passionately wish that Mr. Khrushchev's troops, as well as their own, could find it possible to play more skittles and less atomic war games. But we remind him that his troops could not even play skittles without rules of the game.

If the Soviets mean this talk of peaceful competition, then they have nothing to fear from the impartial rules impartially judged which will make such peaceful competition possible.

The Soviet leaders claim to be acutely aware of the lessons of history. They are constantly quoting the past to prove their contention that communism is the wave of the future. May I call to their attention one striking conclusion that is found in every page of recorded history. It is this: The advance of civilization, the growth of culture, and the perfection of all the finest qualities of mankind have all been accompanied by respect for law and justice and by the constant growth of the use of law in place of force.

The barbarian, the outlaw, the bandit are symbols of a civilization that is either primitive or decadent. As men grow in wisdom they recognize that might does not make right, that true lib-

erty is freedom under law, and that the arrogance of power is a pitiful substitute for justice and equity.

Hence once again we say to those in the Kremlin who boast of the superiority of their system: Let us compete in peace, and let our course of action be such that the choice we offer uncommitted peoples is not a choice between progress and reaction, between high civilization and a return to barbarism, between the rule of law and the rule of force.

In a context of justice, of concern for the millions of men and women who yearn for peace, of a constant striving to bring the wealth abounding in this earth to those who today languish in hunger and want—in such a context, competition between the Communist world and the free world would indeed be meaningful. Then we could say without hesitation, let the stronger system win, knowing that both systems would be moving in a direction of a world of peace, with increasing material prosperity serving as a foundation for a flowering of the human spirit.

We could then put aside the hatred and distrust of the past and work for a better world. Our goal will be peace. Our instrument for achieving peace will be law and justice. Our hope will be that, under these conditions, the vast energies now devoted to weapons of war will instead be used to clothe, house, and feed the entire world. This is the only goal worthy of our aspirations. Competing in this way, nobody will lose and mankind will gain.

17th Anniversary of Bataan

Following is the text of a message sent on April 8 by President Eisenhower to President Carlos P. García of the Republic of the Philippines on the occasion of Bataan Day, April 9.

White House (Augusta, Ga.) press release dated April 8

On the seventeenth Anniversary of Bataan, a campaign of heroic memory, I extend best wishes to you and to the people of the Philippines on behalf of the people of the United States.

The bonds of brotherhood forged in the gallant defense of Bataan and Corregidor are part of the tradition which unites our two countries. Our continuing effort to defend and encourage the growth of democratic institutions throughout the world is a corollary of this tradition. In this

campaign, we will together press on to win the victory: Peace with honor and progress for mankind.

It is a privilege to join you in commemorating the indomitable spirit of Bataan.

DWIGHT D. EISENHOWER

The Problem of Berlin and Germany

by Deputy Under Secretary Murphy¹

The field of American foreign policy interest today is vast. Those of us who have been dealing for a period of years with the day-to-day developments in our international relations are perhaps more conscious than others of the responsibilities attaching to a great power position in the world. We find today that the developments in our own Western Hemisphere alone provide for more activity than formerly engaged our State Department on a worldwide basis. New nationalism and a surge of pent-up emotion for freedoms and higher living standards are sweeping the huge continent of Africa. That storehouse of natural resources and manpower provides a stadium for political evolution and economic progress on a tremendous scale and at a tremendous tempo. The Middle East—the Fertile Crescent—with its proven oil deposits, which in the Iraqi-Kuwait area alone are four times those of the United States, is in a state of active political fermentation. It is precisely in that critical area we are witnessing a drive by international communism to dominate by the use of the classic methods of penetration and subversion. We are glad that at least one source of tension in that area has been eliminated by the happy solution of the Cyprus question which was brought about by the statesmanlike action of our allies in NATO.

The Governments of Greece, Turkey, and the United Kingdom deserve the congratulations of all the free world for the statesmanlike cooperation they have demonstrated in reaching a solution to this most complex and difficult problem.

¹ Address made at the Notre Dame Club of Chicago at Chicago, Ill., on Apr. 13 (press release 264).

They deserve particular credit because their achievement was brought about by the voluntary efforts of those directly concerned, without pressure or direction from outside.

The Cypriot people themselves are now beginning work on the next task, that of translating into practical detail the provisions of the London agreement in preparation for the establishment of the new Republic of Cyprus. Certainly all Americans wish success to the people of Cyprus in their effort to create a new state, based on the cooperation of different ethnic communities and born out of the understanding and mutual friendship of Greece, Turkey, and the United Kingdom.

In the Far East the shadow of an aggressive Red China regime lies across the road of Asiatic progress and darkens the prospect of prosperity in freedom in many areas. We are at the moment witnesses of a further aggression against a peaceful people, the brave millions of Tibet, temporary victims of suppression by those ambitious leaders in Peiping whose revolutionary devotion to extreme Marxism is both the envy and the concern of the more sophisticated party leadership in Moscow. Thus the souvenir of Hungary is evoked in the heart of Asia. That this forward thrust of naked military power is the source of anxiety to peripheral countries in Asia would be obvious to all.

But tonight with the *carte blanche* I have been so kindly accorded, I thought I would take advantage of your patience to discuss one of the immediate problems facing your Government today in Europe, that is, the problem of Berlin and Germany. As things go today Berlin is really

not far away from South Bend and Chicago. It is always possible that events could bring it even closer. And I think that every one of you Notre Dame alumni should have a clear-cut understanding of the issues which are involved in this particular problem. We naturally hope for its peaceful and happy solution, but should our hopes be disappointed the problem could take on grave proportions which inevitably could affect all Notre Dame alumni.

Issues Involved in German Problem

It still seems strange to some of us who have dealt with German problems in the past to be involved today, just 10 years later, in a similar critical situation which was very much on the front page during the Berlin blockade of 1948 and the famous airlift. That difficult and expensive incident resulted in the Paris agreement of 1949² and confirmed Western rights of access to and presence in the city of Berlin.

What are those rights and why should we bother maintaining them? As many of you who served in the armed forces in Germany at the end of World War II realize, those rights were earned and were by no means a gift from the Soviet Union. Allied forces and especially American forces overran large portions of East Germany. They evacuated that important territorial conquest in favor of the Soviet Union within the context of political agreements entered into during the war, especially the agreement of London in 1944.³

I know that it is rarely a profitable undertaking to look back over one's shoulder and inventory mistakes of the past. It is especially easy to suggest that before entering into political decisions about Germany during World War II we should have waited until our troops stopped advancing. Then after the defeat of Germany we should have concluded whatever agreements we found suitable with the Soviet Union. No doubt that would have been a profitable line of policy. If we had pursued it I do not doubt that the Western Allies would have captured the city of Berlin in addition to the East German territory which we did occupy and in that case the present crisis over Berlin could not have arisen.

² For text, see BULLETIN of July 4, 1949, p. 857.

³ For background on the meetings of the European Advisory Commission at London in 1944, see *ibid.*, Jan. 5, 1959, p. 5.

It is necessary, however, to regard events of that period within the climate of the times. There was a school of thought in the hard war days of 1943 which feared that Allied forces would not succeed in moving east across the Rhine. They believed that Russian forces might first seize the Rhine and thus occupy all of Germany. Therefore for them a prior agreement which limited the Russian westward advance to the Elbe seemed a diplomatic achievement. It assured the Western Powers that the industry of the Ruhr and West Germany would not fall to the Russians. Looking back I suppose we could say we were sold short. At any rate having captured a large portion of East Germany our forces were obliged because of the wartime political agreements to evacuate. There were some who at the time urged that our troops not evacuate the large areas of East Germany the United States forces occupied. Our Government felt it had made an agreement, and it honored that agreement. Actually, the Soviet Union, whose forces had captured all of the city of Berlin, would not agree to our occupation of West Berlin until our forces had been evacuated from East Germany.

Then in 1945 we entered into another agreement with the Soviet Union at Potsdam.⁴ The philosophy of that agreement contemplated the political and economic unity of Germany as a whole, a democratic Germany based on free elections and removed from the taint of nazism. I am still curious to know why Marshal Stalin at Potsdam ever agreed to that text because thereafter Soviet authorities made little or no pretense of carrying out its provisions. It is obvious that the Soviet objective after Potsdam was the domination of all of Germany and that their thinking was reflected in the expression of Mr. Molotov at the time "as goes Germany, so goes Europe." The United States and its Allies faithfully endeavored to fulfill the obligations of the Potsdam agreement, which in itself is an estimable document.

Berlin—Experiment in Western-Soviet Cooperation

Berlin became a postwar proving ground for East-West cooperation. The experiment was not a success. It was of course adversely affected by a Soviet theory, no doubt due to the Soviet extreme need resulting from damage to the Soviet

⁴ *Ibid.*, Aug. 5, 1945, p. 153.

economy in World War II, that the United States should finance reparations from Germany and that the threadbare and damaged industrial plant of that country would be harnessed for the payment to the Soviet Union of billions and billions of reparations. It soon became obvious that politically the Soviet objective was the installation in all of Germany of their form of democracy, which revolves around a single-party system controlled by the party apparatus at Moscow.

As their policies, notwithstanding our efforts to cooperate, did not seem to offer a brilliant future either for the German people or the Western Allies, the decision was taken by the Western Allies in 1947 to permit the Germans to establish a truly democratic and representative form of independent government for West Germany. All efforts to achieve this result for the entire German community had foundered on the rock of Soviet determination to stamp upon the German people their special brand of controlled single-party counterfeit democracy. Germany was to have only a restricted form of sovereignty for the indefinite future. The able leadership in West Germany with Western support and cooperation since 1947 achieved results in the political and economic fields far exceeding the most optimistic estimates of the experts at the time.

The contrast between the extraordinary social progress of postwar West Germany and the horse-and-buggy progress in East Germany—the drab and unwieldy economy of that area, the distrust and fear which have prevailed—is one of the great dramas of our day. It constitutes a crown of thorns for the Soviet geopoliticians. Mr. Mikoyan employs all the honeyed words an intelligent Armenian is capable of in describing the improving living conditions in East Germany and its rosy future in the “Socialist” camp. It is still not attractive enough to prevent thousands of East Germans every month from seeking refuge in West Germany. This applies especially to professional elements and the intelligentsia. As many as 200 doctors, for example, recently fled East Germany in a single month. When Mr. Mikoyan speaks of Soviet apprehension over West German intention to engulf East Germany, what he in fact means is that the Soviet Union has failed utterly to win over the East German population. He is concerned that a wave of public and international sentiment might reunite the German people.

For some reason which is still shrouded in mystery—perhaps a desire to consolidate the Soviet empire and promote continual struggle with the non-Communist world—Chairman Nikita Khrushchev of the Soviet Council of Ministers last November 10 saw fit to announce that based on its rights under the Potsdam agreement the Soviet Union would by May 27, 1959, abandon its occupation rights in Berlin. It would transfer them to the straw government which it permits to function under wraps in East Germany. Some days later his lawyers evidently caught up with Mr. Khrushchev, who sent us a note on November 27⁵ omitting reference to the Potsdam agreement and referring instead, this time correctly, to the London agreement of 1944. That is the agreement which established the present four-power occupation of the city of Berlin. He announced in effect that within 6 months the Western Powers would be obliged on matters of access to and occupation of West Berlin to deal with the East German representatives of a so-called “German Democratic Government” which we do not recognize. We do not recognize it because it does not represent the freely expressed wishes of the East German population and it is not by the wildest stretch of the imagination an independent government. We do not recognize it because our ally, the German Federal Republic, is convinced, as we are, that to do so would perpetuate the division of Germany.

Thus the Soviet leadership now proposes to go a step further in the division of Germany by suggesting that Berlin be abandoned by the West, the 2 million courageous West Berliners left to the tender care of the disciples of Marxism-Leninism. Mr. Khrushchev would set up Berlin as a “free city.” As far as can be ascertained, that would mean free from Western influence and protection. Thus we would have three Germanies instead of two.

Now this raises an interesting point. By insisting on our rights of occupation, which really rest on the conquest of Germany, Mr. Khrushchev seeks to place us in an unfavorable light. Occupying armies are never popular. People grow weary of the sight of foreign uniforms. In provoking the issue of Berlin Mr. Khrushchev undoubtedly

⁵ For an exchange of messages between President Eisenhower and Premier Khrushchev, see *ibid.*, Jan. 19, 1959, p. 79.

intends to cause the Western powers the maximum of embarrassment. He knows that our legal case rests on military occupation, and he seeks to enhance the Soviet position in the eyes of Germans by proposing a new arrangement which would give Berlin a pseudoindependence removed from Western influence and sunk in the mire of the imposed "socialism" of the surrounding area.

But we do not rest our presence in Berlin on legal technicalities alone. If the citizens of West Berlin were opposed to the presence of Western forces, including our own, the position would be fairly untenable no matter how solid the legal position. We know that this occupation is urgently desired by the people. We know it because of popular manifestations in many forms such as the municipal elections last fall. If we believed we were unwelcome we would be the first to want to leave, and the Berliners know it.

When Mr. Mikoyan visited us on vacation he spent some time on business and handed us an aide memoire⁶ stating that the Soviet Union proposed convening a peace conference within 60 days from that date, January 10, to conclude a peace treaty with East Germany. That project seems to have withered on the vine. It aroused little enthusiasm anywhere.

The term of 6 months rather lightheartedly flung out by Mr. Khrushchev will expire on May 27. We have since been assured by Mr. Mikoyan and others that regardless of the stiff language this was never intended as an ultimatum. I believe that is true. Mr. Mikoyan stated repeatedly these were just proposals for negotiation and they wanted proposals from us. They know us well enough by now to understand that we do not negotiate under threat of ultimatum.

Negotiations as a Method of Solution

In the German problem as in others it is clear that what is past is prologue. We are on the eve of a series of international conferences⁷ which I believe we should welcome as an opportunity to achieve results we want rather than fear entailing a risk of war. I start from the premise that the

Soviet leadership does not want war, and we know that we do not want it. I just don't believe that an all-out nuclear war is going to happen by sheer accident. Therefore we do not approach these negotiations weighed down by fear and apprehension of ultimate destruction. We have not provoked the issue. We will negotiate on the merits. We will not run away.

We all remember the Austrian treaty, which for years was the cause of despair that Austrian independence and relief from occupation would ever be achieved. Yet after 264 meetings and a lapse of years the clouds lifted and Austrian independence is a fact. I mention this because it has become fashionable among some commentators to assert that reunification of Germany is just not in the cards. Nobody wants it, not even the Germans, it is said. Mr. Khrushchev has said that he knows that 50 million Germans are against the Soviet Union now and he does not propose to add an additional 17 millions. Perhaps I am with a tiny minority in having faith that the German people themselves are determined—patiently, grimly, and courageously—to unite. Who can say that the forthcoming negotiations may not bring them a step closer to that goal within the framework of a more secure Europe?

Whatever other reasons the Soviet leadership may have had for provoking the issue of Berlin last November, it would seem fairly obvious that their purpose was to confirm the *status quo* in Eastern Europe. Their anxiety in this regard is understandable. They know that millions of Europeans are uneasy, restless, and unhappy in the bondage of the "Socialist" camp. The Soviet mania for security in depth is a bogey which leads them into political adventures. It paralyzes their ability to let go of territory once they have it within their grasp. But human beings are not chattels. Sooner or later the intelligence and skill of the people find a way. At least we can try in these negotiations to develop a climate in which the Soviet chieftains could be exposed to the notion that it is not necessary to hold millions of East Europeans in subjection for security reasons as a protection against the West. Just the other day an editor of the Moscow newspaper *Izvestia* wrote that a more democratic press in the Soviet Union would give a better insight into the desires and necessities of the people and urged his fellow editors to ease up on their blue pencils.

⁶Not printed (similar in substance to the Soviet note of Jan. 10, for which see *ibid.*, Mar. 9, 1959, p. 333).

⁷For an exchange of notes between the United States and the Soviet Union in which the United States proposes the time and place for a meeting of Western and Soviet foreign ministers, see *ibid.*, Apr. 13, 1959, p. 507.

This is a good sign. We look forward to the day when the Soviet people themselves will be relieved of that gross fiction of Western imperialism which results from deliberate misrepresentation on the Soviet internal propaganda front.

U.S. Rejects Soviet Curb on Flights in Berlin Air Corridor

Following is an exchange of notes between the United States and the Soviet Union.

U.S. NOTE OF APRIL 13¹

Press release 265 dated April 13

The Embassy of the United States of America has been instructed to reply as follows to the note of the Ministry of Foreign Affairs of the Union of Soviet Socialist Republics, No. 25/OSA, dated April 4, 1959 protesting the routine flight of a United States aircraft in the Frankfurt-Berlin air corridor on March 27.

The United States Government rejects the Soviet contention that flights above 10,000 feet are precluded by regulations covering flights in the corridors, and that the flight of the C-130 aircraft in question, duly notified to the Soviet Element in accordance with established practice, constituted a violation of presently existing rules. As stated in letters of June 6 and September 8, 1958² from the United States representative to the Soviet representative in the quadripartite Berlin Air Safety Center, flights by aircraft of the United States do not require any prior agreement from the Soviet Element, and the United States never has recognized and does not recognize any limitation to the right to fly at any altitude in the corridors. As has been previously pointed out, the altitude at which aircraft fly is determined in accordance with the meteorological conditions prevailing at the time and the operational characteristics of the aircraft. The Government of the Soviet Union, having itself put into service aircraft (such as the TU-104) technical characteristics of which require flight at higher altitudes than those formerly in use, will appreciate the

influence of such factors on operating altitudes of United States aircraft. While for some time to come the majority of corridor flights will, under normal circumstances, be made below 10,000 feet, whenever weather or the operational characteristics of equipment require, additional flights at higher altitudes will be undertaken. There can be no doubt that improved air navigational facilities and procedures provide adequate safety for such flights.

The flight by Soviet aircraft in dangerous proximity to the United States C-130 on March 27, as witnessed by thousands of persons in the Berlin area, constituted not only a serious violation of the flight regulations that obtain in the air corridors and the Berlin Control Zone but intentionally created the very hazard to flight safety about which the Soviet representatives have professed concern.

The United States Government fully appreciates the importance of safety of flight through the corridors and acknowledges that its maintenance is a matter of mutual interest to the Soviet authorities in Germany. The conditions of flight safety can be met if the latter will act in accordance with established procedures and separate their aircraft from Western flights notified to them. Although the right of United States aircraft to fly in the corridors to Berlin does not depend upon advance notice to or permission of the Soviet Element, the flight plan of the C-130 in question was passed to the Soviet Element in the Berlin Air Safety Center sufficiently in advance to provide ample time to notify aircraft likely to be in the vicinity as the C-130 passed through.

Further, the suggestion that the Government of the United States of America is seeking to complicate the carrying out of the agreement which has been reached on holding a Foreign Ministers' Conference is not consonant with the facts of the situation.

On the contrary, it is the Soviet Union which is creating doubt as to its intentions by attempting unilaterally to assert a "right", never recognized by the Western Powers, to forbid flights to Allied aircraft at altitudes above 10,000 feet and by permitting Soviet fighter aircraft to harass United States aircraft in a way dangerous to their safety and to the lives of their crews.

The United States expects the Soviet Govern-

¹ Delivered to the Soviet Ministry of Foreign Affairs by the American Embassy at Moscow on Apr. 13.

² Not printed here.

ment promptly to issue instructions to its personnel in Germany to ensure fulfillment of their responsibility for flight safety in the air corridors to Berlin.

SOVIET NOTE OF APRIL 4

Unofficial translation
No. 25/OSA

The Ministry of Foreign Affairs of the Union of Soviet Socialist Republics on the instruction of the Soviet Government deems it necessary to bring the following to the notice of the Government of the United States of America.

On March 27 a C-130 type American transport plane, going from West Germany to Berlin along the air corridor lying over the territory of the German Democratic Republic, rose to a height of 7,000 meters, which is a crude violation of the existing procedure of flights along this route. The demonstrative character of this violation is evident from the very fact that the American representative in the Berlin Air Safety Center, which regulates flights of foreign airplanes between Berlin and the Federal Republic of Germany, was informed in good time by the Soviet side about the inadmissibility of the flight of the said plane at a height of more than 3,050 meters, which is the maximum for flights of the Western powers using the air corridors. Moreover, this same airplane, completing on the same day a return trip from Berlin to West Germany, again flew at a height twice exceeding the usual ceiling of flights in the air corridors, although a protest was made by the official Soviet representative to the U.S. representative against the violation of flight rules which had taken place.

One cannot help noting that the violations by American planes of the existing procedure and established practice of flights over the territory of the German Democratic Republic are undertaken at that moment when agreement has been reached concerning the carrying out soon of negotiations between East and West on the question of Berlin and other questions having prime significance for the cause of peace. All this is taking place after the U.S. Government through its Ambassador in Moscow declared at the time of the transmittal of the note on the question of the planned negotiations that in its opinion unilateral actions of any Government in the period of preparation for the forthcoming conferences will hardly help their successful outcome.^{*} Analogous statements were made also by the Governments of other powers which are allies of the United States of America in NATO. It would seem that after such statements the Government of the United States of America ought also to have acted accordingly by avoiding everything that could complicate the effectuation of the understanding about the carrying out of the conferences.

^{*} Statement made by Ambassador Llewellyn Thompson at the time of delivery of the U.S. note of Mar. 26 regarding the foreign ministers meeting on the problem of Germany. For text of note, see BULLETIN of Apr. 13, 1959, p. 507.

In the light of these facts the premeditated violations by American planes of the existing procedure of air communications with Berlin is difficult to evaluate otherwise than as an effort by the U.S. to worsen conditions for the meeting of Ministers of Foreign Affairs, if not in general to torpedo the understanding attained about the carrying out of negotiations between East and West.

As for the Soviet Union, for its part not only will nothing be permitted which could worsen the situation on the eve of negotiations, but everything is being done to facilitate the conduct of these negotiations. It goes without saying that the Soviet Government has the firm intention right up to these negotiations to adhere to the existing procedure and established practice of communications along the lines of communication between Berlin and West Germany.

In calling the attention of the U.S. Government to the dangerous character of the actions of the American authorities in Germany, the Soviet Government would like to emphasize that the U.S. Government will bear all responsibility for the violation of the conditions of safety of air flights in the airspace of the German Democratic Republic and the possible complications connected with this.

The Soviet Government expresses the hope that the U.S. Government will adopt measures which would exclude the possibility of complications of this type and will for its part facilitate creation of a favorable atmosphere for the conduct of negotiations between East and West on urgent international questions, the solution of which is being awaited by the peoples who are vitally interested in the preservation and strengthening of peace.

U.S. and U.S.S.R. Agree on Exchange of Performing Artists

Press release 267 dated April 16

Department Announcement

The Department of State announced on April 16 the signing that day at Washington of an agreement with the Soviet Government for an exchange of performing artists in connection with the national exhibitions which are to be held in Moscow and New York during the summer of 1959, as part of the program of exchanges between the United States and the Soviet Union provided for in the U.S.-U.S.S.R. exchange agreement of January 27, 1958.¹

N. N. Danilov, Deputy Minister of Culture, head of the Soviet cultural delegation now in this country, signed for the Soviet side, and Frederick

¹ For text of agreement of Jan. 27, 1958, see BULLETIN of Feb. 17, 1958, p. 243; for text of agreement on exchange of exhibitions, see *ibid.*, Jan. 26, 1959, p. 132.

T. Merrill, director of the East-West Contacts Staff, signed for the Department of State.

Text of Agreement

AGREEMENT BETWEEN THE UNITED STATES AND THE UNION OF SOVIET SOCIALIST REPUBLICS FOR EXCHANGE OF PERFORMING ARTISTS IN CONNECTION WITH NATIONAL EXHIBITIONS

In order to develop further mutual cultural exchanges as a means of understanding between the two countries and in reference to paragraph 14 of the Agreement between the United States and the All-Union Chamber of Commerce of the Union of Soviet Socialist Republics, relating to a reciprocal exchange of national exhibitions during the summer of 1959, the following is agreed in principle:

During the summer of 1959, the performing attractions named below will be exchanged in connection with the Soviet and American national exhibits to be held at the Coliseum in New York, and at Sokolniki Park in Moscow. The performances will take place in Moscow and New York respectively at approximately the time when the respective national exhibits are open.

a) The Soviet side will send to New York a Concert Group including the Pyatnitsky Choir for a period of four to eight weeks.

b) The United States side will send to Moscow the New York Philharmonic Orchestra for a period of three weeks and a Variety Show for four weeks.

Heads of European Communities To Visit Washington

Press release 266 dated April 16

The Acting Secretary of State, Christian A. Herter, has extended invitations to the presidents of the Commissions of the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM), and the president of the High Authority of the European Coal and Steel Community (ECSC) for a 3-day official visit to Washington.

These three presidents are the chief executives of the European communities established by France, the Federal Republic of Germany, Italy, the Netherlands, Belgium, and Luxembourg to integrate their economies. The European communities thus comprise a single movement having as their common objectives the creation of greater strength, economic well-being, and unity among the six member states.

The three European executives are: Walter Hallstein of Germany, president of the EEC

(Common Market) Commission; Etienne Hirsch of France, president of the EURATOM Commission; and Paul Finet of Belgium, president of the ECSC High Authority. The visit will take place on June 9, 10, and 11, 1959.

U.S. Ambassadors in Caribbean Area Meet To Exchange Views

DEPARTMENT ANNOUNCEMENT

Press release 248 dated April 6

A conference of the U.S. Ambassadors in 12 countries of the Caribbean area will be held at San Salvador, El Salvador, from April 9 to 11. Ambassadors from U.S. missions in Colombia, Costa Rica, Cuba, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, and Venezuela will attend.

Officials of the Department of State attending the conference will be headed by Loy W. Henderson, Deputy Under Secretary for Administration, and will include Roy R. Rubottom, Jr., Assistant Secretary for Inter-American Affairs, and Ambassador John C. Dreier, U.S. Representative on the Council of the Organization of American States.

The meeting will provide an opportunity for an exchange of views on current political and economic developments in the area in their relation to U.S. policy.

STATEMENT RELEASED AT CONCLUSION OF CONFERENCE

Press release 263 dated April 13

United States Ambassadors to the countries of the Caribbean and Central America area met in San Salvador on April 9-11, 1959, in one of the series of regional conferences of United States Chiefs of Mission, which are designed to assist the Department of State in formulating and carrying out its policies with a full appreciation of the problems and aspirations which the United States shares with the other nations of the free world. Similar conferences are being held this year in several other areas of the world.

The Department was represented by the Honor-

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able Loy W. Henderson, Deputy Under Secretary of State; the Honorable Roy R. Rubottom, Jr., Assistant Secretary of State for Inter-American Affairs; and other officials concerned with Latin American affairs. The Chiefs of Mission attending were the United States Ambassadors to Colombia, Costa Rica, Cuba, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama and Venezuela. The conference devoted the major part of its attention to a review of United States relations with the foregoing countries; and the participants, drawing upon their knowledge of the area and on their personal experience, advanced a number of practical suggestions for the consideration of the Department. Attention centered on the role of the United States, both through bilateral channels and as a member of the Organization of American States, in cooperating with other peoples of the area for the better achievement of commonly shared goals of peace with justice and political and economic progress. The peoples of the Western Hemisphere during recent years have been moving steadily toward a more effective exercise of representative democracy and respect for basic human rights within the principles of the OAS. The participants in the conference expressed the belief that the peoples of the Americas could take just pride in these developments, which are taking place at a time when much of the rest of the world is being subjected to the ruthless dictatorship of Communist totalitarianism, as events in Hungary and Tibet vividly illustrate.

There was discussion of widely publicized reports of activities in various countries directed at the overthrow of the governments of other countries in violation of the charter of the OAS and other inter-American agreements. The conference observed that such reports are highly disturbing to the atmosphere of mutual trust essential to the continued cooperation and progress of the nations of this hemisphere and recommended to the Department that serious consideration be given to how the OAS might be helpful in restoring a more tranquil atmosphere in the Caribbean area.

The participants expressed their confidence that the United States would continue to cooperate closely with the other member states to support the objectives of the OAS in maintaining the peace and security of the area and in assuring to

each country the right to develop its political life free from outside intervention.

Consideration was given to the economic problems of the Caribbean and Central America. It was recognized the development of sound and diversified economies and the steady rise of living standards would be of mutual benefit to the peoples of this area and to the people of the United States.

There was a discussion of a report presented on progress in economic matters made by the American Republics in preparation for the April 27 meeting of the OAS's "Committee of 21" in Buenos Aires where "Operation Pan America" will be carried forward another step. The conference noted the signing of the charter of the Inter-American Development Bank¹ as well as of the recent increase in the capitalization of the Export-Import Bank and that proposed for the World Bank and International Monetary Fund. The conference endorsed this cooperative approach to Western Hemisphere economic problems and expressed the belief that the additional public funds made available through these institutions will effectively complement domestic and foreign private capital in accelerating the economic development of the Caribbean and Central American area.

Discussions were held concerning the progress of Latin America, and particularly in Central America, toward the establishment of regional markets. It was noted that such markets could spur economic development and diversify economies. In this latter connection attention was given to the intention of the Government of the United States to assist financially, through appropriate agencies and in suitable conditions, the establishment of sound industries, with a view to promoting regional markets through public and private investment. Major attention was devoted to efforts now being made to achieve more stable markets for basic products of the area and as to how the peaks and valleys in the economies of the area might be eliminated. The group strongly endorsed the decision of the United States to participate in bilateral and multilateral consultations designed to attain this objective.

The conference examined the problems arising from the intensified efforts of international communism to break down the bonds which have united the peoples of the Western Hemisphere

¹ See p. 646.

and to disrupt the progress toward economic well-being and representative government in the Americas. It took particular note of the fact that, while the governments and peoples of the American Republics were engaged in renewed efforts to find cooperative solutions to American economic and political problems, the leaders of at least 19 of the Communist parties of the hemisphere met in Moscow after attending the 21st Congress of the Soviet Communist Party to confer on strategy and tactics to foster divisions and tensions among the American governments and peoples.

Finally, the participating officials took pleasure in conveying their appreciation to the Government and people of El Salvador for the cordial hospitality extended to them, which contributed so greatly both to facilitate their work and to make their stay in San Salvador so pleasant.

Wise Distribution of U.S. Food Surpluses in Latin America

by John M. Cabot
*Ambassador to Colombia*¹

All men were created equal in needing food. All men do not need and all men do not get the same amount of food or indeed, in many cases, what they need. Some eat too much; many more cannot get enough even to work efficiently. Far too many are hungry.

We are fortunate in the United States in having a surplus of food. Most of us here are of course taxpayers, and the \$9 billion worth of food stored under our agricultural stabilization programs is a burden on our pocketbooks. But we have not abandoned our farmers to their economic fate, whatever it might be; and our agricultural measures have helped us to provide, for our friends and allies such as Colombia, the food which their people needed and did not have. With our surplus food we have saved many from starvation, and we have helped many more to save themselves from the spiritual starvation of totalitarian tyranny.

Tyrants can indeed feed their people on propa-

ganda. It does not matter to them if their people starve, if, indeed, they take food from the hungry to export and thereby obtain foreign exchange. They herd them into communes for the glorification of the state and the abasement of the individual. Notably, all of the great modern tyrannies have thought of guns rather than butter. It matters not to them if millions starve while a 5-year plan is achieved and progress is made toward subjugating new peoples to their yoke. If they achieve statistical results, what does the cry of a hungry child mean to them?

It is difficult for a half-starved man to fight for freedom. Indeed as we accumulate agricultural surpluses we should remember that a great majority of humanity is more likely to wonder where its next meal is coming from than about its freedom. If the cold war is a struggle between two ways of life, what better demonstration can we give of ours than by showing that free men eat better than totalitarian slaves?

In democracies the people decide what is to be done. We insist that the people receive the necessities of life. The food which we produce will not only make the free man a more efficient worker; it will strengthen us physically and spiritually to resist those who announce frankly that they will bury us. Sometimes we forget that they mean just that, as regards both our bodies and our souls.

Many of the people even in the free world are still hungry, despite everything that we are doing to feed them. The problem is not simply one of distributing the surpluses we have in the United States to correct deficiencies elsewhere. Great as our stocks and production capacity are in the United States, they are not remotely sufficient to fill present and future needs. We do, indeed, need to dispose of burdensome surpluses. Far greater, however, is the need to help other friendly countries produce themselves what they need. There will be cases in which this will hurt our national production. Nevertheless, it would not help the free world if we disposed of our food at the cost of discouraging adequate food production in the nations to which we exported it, or of injuring the legitimate markets of other friendly countries.

We must remember that a wise distribution of our surpluses is likely in the long run to increase both production and consumption in other lands. If in some cases this means that our exports will decrease, experience has shown that in

¹ Remarks made before the Market Development Conference of the Foreign Agricultural Service of the U.S. Department of Agriculture at Bogotá, Colombia, on Apr. 1.

many other cases increasing demand will outstrip increasing domestic supply. We should be happy in a prospering market if the absolute amount of our agricultural exports increases even though percentage in our share of the market drops.

You are here primarily to discuss expanding the markets for our agricultural products. I believe you will succeed primarily insofar as your efforts promote prosperous markets in this area. Latin America now buys as much commercially from the United States as it can finance by selling its products to the United States. We have seen in Colombia the disastrous results of buying more than can be sold and also how much can be bought if much is sold. With more mouths to feed, with more hands to work, with greater prosperity and a will to prosperity in Latin America, there should be an ample market here for all that we have to sell, provided they can buy. We can stimulate demand and, incidentally, individual well-being in Latin America by judicious schemes for promoting the sales of our agricultural surpluses among our fellow Americans in our sister republics. But the thought I would leave with you is that their prosperity and our prosperity are inextricably linked; that if they feel themselves better off we are likely to find ourselves better off; that our food can not only satisfy their hunger, it can help to keep them and us free.

It is in this spirit that I take the greatest pleasure in welcoming you here today. We are honored by the presence of a distinguished group of Senators and Representatives from our Congress. I am sure your deliberations will be fruitful not only in solving immediate problems but also in facing the fundamental issues which today confront free men everywhere.

Visit of President of Mexico Postponed Until Autumn

White House (Augusta, Ga.) press release dated April 15

President Eisenhower and the President of Mexico have agreed that the visit of the Mexican President to the United States should take place during the coming autumn.

At the time that the President of Mexico, Adolfo Lopez Mateos, accepted President Eisenhower's invitation, it was tentatively agreed that the visit would take place during the spring of

this year, though the exact date and place would be determined through diplomatic channels. As a result of an exchange of views between the two Governments, the Presidents have now agreed that the visit will be postponed to the autumn of this year.

U.S. Investment Guarantee Program Extended to Sudan and Tunisia

Press release 268 dated April 16

The Department of State announced on April 16 that the U.S. Government's investment guarantee program for new private U.S. investments abroad is now available for investments in two additional countries, Sudan and Tunisia. The program, which is administered by the International Cooperation Administration as a part of the U.S. mutual security program, has been made applicable to investments in these two countries by the formal exchange of notes between the Government of the United States and the respective Governments of Sudan and Tunisia.

Both agreements emphasize the U.S. policy of encouraging new investments of private capital abroad, particularly in the newly developing countries. They also reflect the policies of the Governments of Sudan and Tunisia in encouraging the investment of private capital in developmental projects within their countries.

Under the agreements with Sudan and Tunisia, the United States now offers three types of guarantees for U.S. investments in the two countries: (1) guarantee that local currency receipts from investments in either country will remain convertible into dollars; (2) guarantee against losses from expropriation; and (3) guarantee against losses due to war damage. The U.S. Government guarantees are now available for new U.S. investments of capital goods, services, patents, and loans which are approved for purposes of ICA guarantee by the respective governments. For this insurance the U.S. investor will pay a premium of one-half of 1 percent per annum for each of the three types of insurance.

With the addition of Sudan and Tunisia the U.S. investment guarantee program is now available for new private investments in 40 countries. As of March 31 a total of \$412 million in ICA

guarantees had been issued for projects in countries already participating in the program, and applications pending in ICA exceed \$1 billion at the present time.

Inquiries and applications for ICA guarantees should be addressed to the Investment Guaranties Staff, International Cooperation Administration, Washington 25, D.C.

THE CONGRESS

The Development Loan Fund: An Investment in Peace and Progress

Statement by Under Secretary Dillon¹

I appear before you today [March 24] both as Coordinator of the Mutual Security Program and as Chairman of the Board of Directors of the Development Loan Fund. My purpose is to present the executive branch proposals for legislation affecting the Development Loan Fund, both from the standpoint of overall foreign policy requirements and the operating needs of the institution itself.

The President has recommended that the Congress authorize and appropriate \$700 million to become available to the Development Loan Fund beginning in fiscal year 1960.² He has also requested revisions in the Mutual Security Act which would make available to the Development Loan Fund, after administrative needs of other agencies are met, local currency repayments under mutual security loans concluded since 1954 and which would provide a clear and more flexible basis under which the DLF can work out arrangements for the fiscal administration of loans.

This committee is well aware of the economic and social revolution which is sweeping the less

developed areas of the free world. A billion people have their eyes set on economic progress. With the new-found political independence that has come to many nations has come a demand for similar social and economic progress. The question is: Will this progress take place in freedom? Will our free institutions prove equal to the task of meeting the economic aspirations of the peoples of Asia, Africa, and Latin America?

Challenge for the Free World

This poses a great challenge and a great responsibility for the entire free world. One of the most hopeful signs of the past year has been the way in which other industrialized nations have joined in making external capital available. In my appearance before this committee on January 29, I described the expanded efforts of England, Germany, Canada, and Japan in this field. France for some time has been devoting substantial resources to the development of the African territories of the French Union, and Italy is now preparing to help, particularly in the Arab countries. Nevertheless, as the wealthiest and most industrialized of all nations, with capital available for export, the United States remains the principal single source in the free world for the foreign capital needed by the less developed countries to supplement their own efforts.

¹ Made before the House Foreign Affairs Committee on Mar. 24.

² For text of the President's message to Congress on the 1959 mutual security program, see BULLETIN of Mar. 30, 1959, p. 427.

Although this challenge is compelling, our interests go beyond it. We now depend on the less developed areas for a critical margin of the raw materials which feed our industries; and that dependence is likely to increase as our national resources are depleted and our industries grow. The less developed countries hold within their borders enormous natural resources which constitute a vast and relatively untapped potential for the entire free world.

Moreover, the populations of the less developed countries present the prospect of substantial markets for our goods. Although they are not now large-scale customers their purchases can be expected to rise as development progresses. Higher incomes mean more purchasing power. The export opportunities which would be presented if the incomes of each of the millions of people in Asia, Africa, and Latin America were increased by a small margin would indeed be impressive.

Independent of—but intensifying—these challenges is the aggressive presence of Communist imperialism. The Soviet bloc is well aware of the profound urge for a better life that has swept the less developed areas and the opportunities which this situation presents for furthering its own purposes. In my appearance before this committee last January, I noted that from 1954 through 1958 the Sino-Soviet bloc agreed with 18 underdeveloped countries to provide \$2.4 billion in credits and grants for economic and military aid, of which \$1.6 billion was for economic aid alone. Agreements totaling \$1 billion were completed in 1958, reflecting a marked step-up in the efforts of the bloc. From all indications this accelerated pace will be maintained.

The breadth, scope, and intensity of the Soviet effort are illustrated in the charts on pages 35, 36, and 38 of the printed record of the January 29 hearings. I should like to offer them, Mr. Chairman, for inclusion in this record as well.*

In the face of these challenges the Congress 2 years ago established the Development Loan Fund and stated in so doing the fundamental truth "that the progress of free peoples in their efforts to further their economic development, and thus to strengthen their freedom, is important to the security and welfare of the United States."

* Not printed here.

Specialized Purpose of the DLF

The Development Loan Fund was established for a particular, specialized purpose: the provision of capital for productive economic growth. With the exception of the technical cooperation program the other elements of the mutual security program are not designed to promote economic development. They provide instead the military strength required to offset the Communist threat, and they help to maintain political and economic stability from year to year. These are both essential prerequisites to development itself, but their usefulness and purpose would be largely lost in the absence of adequate provision for forward movement in the development process. For this reason an adequate Development Loan Fund can be considered the keystone of the arch in our mutual security program.

The development needs of the free world are so large that they require the combined efforts of public and private capital from all the industrialized countries. Recognizing this, the Development Loan Fund has been designed to supplement but not compete with other free-world sources of financing. It does not compete with private investment capital, the Export-Import Bank, or the International Bank for Reconstruction and Development. It works in the closest cooperation with these institutions. Because of the flexible terms on which its loans can be made, including the acceptance of local currencies in repayment, the Development Loan Fund can help to bring to fruition sound and worthwhile projects which otherwise could not be realized. This is so because many less developed countries are not as yet able to earn enough foreign exchange to fully repay the loans required to complete large projects in the standard 10 to 15 years usually required by private capital and by the Export-Import Bank and the World Bank.

The operating methods of the Development Loan Fund are designed to promote efficient, long-term economic growth. Its financing is exclusively in the form of loans or other types of credit; it does not make grants. It makes loans only for specific projects, and there is a separate loan agreement on each project tailored to the specific situation. The DLF does not program in advance annual levels of assistance for particular countries. It focuses the primary responsibility on the governments or private businessmen concerned by responding only to sound proposals

which they submit. Furthermore, the DLF is not required to obligate its capital within any specific time period; it obligates funds only when it is convinced that efficient use can be made of them in connection with particular projects. In this way the DLF promotes economic growth through the employment of devices which encourage the efficient, businesslike use of resources.

Need for Continuity

An essential element in the effective use of the DLF is an adequate measure of continuity. Without assurances that funds will be available over a period of years the DLF cannot realize its full potential in promoting sound development planning. It is also difficult to work with the international lending institutions in the absence of continuity. We have a vivid example of that situation today. As you know, the DLF is now out of funds. Of the \$700 million appropriated so far, less than \$1 million is still unallocated. Unless the Congress votes a supplemental appropriation as has been requested by the President, we will be out of business and marking time until new funds for fiscal year 1960 are received, probably in August.⁴

What does that mean? Let me give you an example. Just last week, under the leadership of the World Bank, representatives of India, Britain, Germany, Canada, Japan, and the United States met in Washington to consider the needs of India in the 4th year of her second 5-year plan, which begins on April 1. In this meeting the World Bank and the representatives of every country but one indicated what they could do to help. That one was the United States. We had to say, "Proceed with your plan, and next August when one-third of your fiscal year is past we will tell you what, if anything, we can do." This incident is but one of many. A privately run development bank in Iran designed to give major impetus to private investment, an airport in Chile, an essential electric transmission line in Pakistan, and many other projects on which planning was well along will have to be laid aside until new funds are available.

⁴ The House of Representatives on Mar. 24 approved a supplemental appropriation of \$100 million for the Development Loan Fund, and the Senate Appropriations Committee on Apr. 17 recommended a supplemental appropriation of \$200 million.

I know that some of you have wondered why the administration is not now requesting that the Development Loan Fund be capitalized on a long-term basis. The reasons for not presenting such a request this year seemed to us compelling. In the first place we have now only about 1 year of effective operation of the Fund behind us. The additional experience that will come with another year's operation will be invaluable in judging the size and form which longer term capitalization of the Fund should take. You will recall that, when the President originally proposed the establishment of the Development Loan Fund 2 years ago, he asked for a 3-year capitalization and as he stated in his message last week it was his intention, based on observation of its progress within that period, to ask for longer term capitalization commencing in fiscal year 1961.

Another reason for postponing the decision on long-term capitalization flows from our desire to insure that the Development Loan Fund fits in carefully to the pattern of other development institutions. This year consideration is being given to the creation of two new institutions in this field. One is the inter-American development banking institution. Negotiations looking toward its creation have been under way in Washington among the 21 members of the Organization of American States since early January.⁵ They are now nearing their conclusion and we hope that this institution will become a reality in the course of this year. The second institution to which consideration is being given is an international development association to be formed as an adjunct of the World Bank.⁶ This would be a multilateral version of our own Development Loan Fund. While negotiations regarding this institution are not as far advanced as in the case of the inter-American institution, we do expect that later in the year we will have a clearer idea as to the practicability and possibilities of such an institution. Such information regarding these two institutions would be useful in working out more precise long-term plans for the Development Loan Fund. Taking into account this information and our further experience in operating the Fund, the Department of State presently intends to submit for consideration by the President next fall a proposal for the

⁵ See p. 646.

⁶ For background, see BULLETIN of Apr. 7, 1958, p. 564.

long-term financing of the Development Loan Fund beginning in fiscal year 1961.

Importance of DLF Confirmed by Experience

The Development Loan Fund now has behind it about 14 months of active experience. This has given proof of its ability to make useful loans and to operate effectively at a rate of at least \$700 million a year. Furthermore, we now have confirmation in experience of the important role this institution can play in the conduct of our foreign policy.

As you will note from the chart⁷ on page 2 of the presentation book devoted to the DLF, it had taken under consideration \$2.8 billion in screened proposals by the end of January 1959. \$602 million of this total were later withdrawn, transferred to other interested financing institutions, or found on further examination to be inappropriate for DLF financing.

As of this morning only \$800,000 of the Fund's capital is still available for loans. The loans we have so far made are all for specific, sound projects. As Chairman of the Board of Directors I have gone over each commitment together with my colleagues on the Board—the Chairman of the Board of Directors of the Export-Import Bank; the United States Executive Director of the IBRD, who is also an Assistant Secretary of the Treasury; the Director of the ICA; and the Managing Director of the Fund. The Board has approved each loan. I am satisfied that each commitment is technically, economically, and financially sound and will contribute to economic growth.

We have made loans for roads, power generation and transmission, port facilities, railways, telecommunications, irrigation, and other types of economic overhead facilities. We are also financing cement and fertilizer plants, jute mills, a pulp factory, a sugar mill, and other manufacturing enterprises. The lending resources of several established, well-run local development banks have also been enlarged to enable them to make more foreign exchange available for investment by small entrepreneurs.

In its first year the DLF was also able to join with other lenders in specific loan transactions. Thus shortfalls in project financing under India's second 5-year plan were met with several loans

totaling \$175 million, in conjunction with credits extended by the Export-Import Bank, the International Bank for Reconstruction and Development, and the Governments of the United Kingdom, Germany, Japan, and Canada. One of the DLF loans will enable Indian manufacturers to produce about 20,000 freight cars, 300 steam locomotives, and 600 steel coaches for the railway system; another will permit the assembly in India of about 16,000 buses, trucks, and jeeps and the expansion of India's privately owned jute and cement industries. Above all, the DLF loans were a critical element in enabling India's second 5-year plan to continue without further cutbacks. At the same time the DLF made loan commitments totaling about \$70 million for seven different projects in neighboring Pakistan.

Confusion Regarding Availability of Funds

I have noted some confusion regarding the availability of funds to the DLF. It has been said that since the DLF has only expended a very small portion of its appropriations—\$27 million out of \$700 million—there is no need as yet for further appropriations. Such statements totally ignore the fundamental nature of the DLF. The DLF finances projects. When it makes a loan it commits sufficient funds to carry the project to completion. Development projects take time to construct. On the average World Bank projects have taken 3 to 4 years to complete. The DLF projects are similar in nature. We can expect to spend about 10 percent to 15 percent of the funds allotted to each project during the first year after a loan agreement is signed and the rest over the remainder of the 3- to 4-year period. This has been the experience of the World Bank and of the Export-Import Bank in the development field. This means that when fully under way the Development Loan Fund can expect to have a pipeline of unexpended funds equivalent to about 2 full years of operations. Once a commitment is made the funds are set aside for the particular project and are unavailable for other uses. Therefore the unexpended funds of the DLF have no connection with its ability to undertake new projects. That ability is measured solely by the amount of uncommitted funds.

Here again there has been some confusion as to when funds are actually committed and become unavailable for other uses. The commitment

⁷ Not printed here.

process used by the DLF is identical to that used by the Export-Import Bank for many years. It is a tried and true procedure. It starts with the approval of a loan by the DLF Board of Directors. Once a loan has been approved by the Board it is submitted to the National Advisory Council for its advice, and when that advice is received a formal letter of commitment is given to the prospective borrower. This generally occurs within 2 weeks of Board action, and this constitutes the pledged word of the United States. At this point the U.S. commitment to make the loan is publicly announced in the country of the borrower. At this point our funds are committed and are unavailable for any other use. As the Director of the Bureau of the Budget stated in his recommendation on the supplemental appropriation request, our funds are, in effect, obligated at this point.

The final step in the process is the working out of a detailed loan agreement many pages thick. This process now takes the DLF a bit more than 90 days on the average. As we gain experience we hope to cut this period to somewhere around 60 days, the average time now required by the Export-Import Bank for this same step. While it is only when this detailed loan agreement is signed that all the legal formalities of obligation are fully completed, the commitment by the United States runs from the date when its written word is given to the borrower. After this date the only circumstance in which the funds would revert to the DLF for other use would be if the prospective borrower, for one reason or another, decided not to accept the loan. Thus the need for supplementary funds in fiscal year '59 and for the funds requested for fiscal year '60 is directly related to the sums publicly committed by the Fund rather than to expenditures or to the total of completed loan agreements.

Request for New Capital

The \$700 million in new capital which we are requesting that the Congress make available beginning in fiscal year 1960 will permit the DLF to continue lending at about the same rate that it maintained during its first year of active operations. Such an appropriation is the barest minimum needed in advancing our objectives in the less developed areas. It represents less than one-sixth of 1 percent of our gross national product.

Past experience is one measure of the need. In 1957 and 1958 many of these countries showed no appreciable increase in incomes per person. In some cases overall growth was more than eaten up by population increases. During these years the impact of previous development assistance programs undertaken by the United States was being felt. These investment activities, which were undertaken prior to the establishment of the DLF, averaged somewhat more than \$400 million per year. The results confirm that an acceptable rate of progress will require considerably more than a \$400 million rate of United States development assistance.

Our request is also minimal when compared to the recommendations of almost every responsible public and private body that has surveyed this problem. In April 1957 the Committee for Economic Development, whose membership contains many responsible businessmen, recommended an annual outlay of \$1 billion a year over each of the succeeding 5 years in addition to then current U.S. development assistance programs. In May 1958 the National Planning Association, of which numerous business, labor, and academic leaders are members, called for a U.S. Government program with \$10 billion to \$20 billion in capital for use over 5 to 10 years to finance basic public investment in underdeveloped countries. And in the spring of 1958 the Special Studies Project of the Rockefeller Brothers Fund echoed recommendations made in the previous year by the International Development Advisory Board when it called for substantial increases in the level of appropriations already made available to the DLF.

And only last week the President's Committee To Study the U.S. Military Assistance Program, headed by William H. Draper, Jr., and including among its membership two former Directors of the Budget and several former high-ranking military officers, concluded that the total fiscal year 1960 request for economic assistance as a whole was the minimum required. The Committee also expressed a belief that loans for development assistance under the mutual security program will probably be needed at a rate of at least \$1 billion per year by fiscal year 1961.

I cannot emphasize too strongly the importance that President Eisenhower personally attaches to this request. He firmly believes that the mutual

security program must deal with the deep social and economic undercurrents that are now shaping the free world's tomorrow. It must help to present an affirmative, positive image of the United States to the world, an image of the great tradition of enterprise and idealism that has motivated the American people since our earliest beginnings. It must look ahead and try to cope today with

the conditions that will affect the interests of the United States in years to come.

The Development Loan Fund can be a major response to these challenges. It can represent a major exercise of our responsibilities. Whether it will, depends at this point in history on whether our Nation is willing to invest today in the free world's peace and progress tomorrow.

INTERNATIONAL ORGANIZATIONS AND CONFERENCES

Calendar of International Conferences and Meetings¹

Adjourned During April 1959

IA-ECOSOC Specialized Committee of Governmental Representatives To Negotiate and Draft the Articles of Agreement of an Inter-American Financial Institution.	Washington	Jan. 8-Apr. 8
U.N. Commission on Human Rights: 15th Session	New York	Mar. 16-Apr. 10
U.N. Conference on Elimination and Reduction of Future Statelessness.	Geneva	Mar. 24-Apr. 17
Tripartite and Quadripartite Foreign Ministers Meetings *. . . .	Washington	Mar. 31-Apr. 1
Interparliamentary Council: 84th Meeting	Nice	Apr. 1-6
World Meteorological Organization: 3d Congress	Geneva	Apr. 1-29
ITU International Radio Consultative Committee (CCIR): 9th Plenary Assembly.	Los Angeles	Apr. 1-30
ICEM Executive Committee: 12th Session	Geneva	Apr. 2-6*
Ceremony Commemorating the 10th Anniversary of NATO and Ministerial Session of the Council.	Washington	Apr. 2-4
Caribbean Commission: <i>Ad Hoc</i> Committee on Revision of Agreement for Establishment of the Commission.	Trinidad	Apr. 2-10
2d FAO World Fishing Boat Congress	Rome	Apr. 5-10
GATT Panel on Subsidies and State-Trading	Geneva	Apr. 6-10
ILO Committee of Experts on the Application of Conventions and Recommendations: 29th Session.	Geneva	Apr. 6-18
ICEM Council: 10th Session	Geneva	Apr. 7-10
FAO European Commission for Control of Foot and Mouth Disease.	Rome	Apr. 7-10
U.N. Economic and Social Council: 27th Session	México, D.F.	Apr. 7-24
IAEA Board of Governors: 11th Session	Vienna	Apr. 7-17
SEATO Council: 5th Meeting	Washington	Apr. 8-10
FAO Panel of Experts on Agricultural Support Measures	Rome	Apr. 9-30
GATT Panel on Antidumping and Countervailing Duties	Geneva	Apr. 13-17
FAO: 2d Meeting of Government Experts on Use of Designations, Definitions, and Standards for Milk and Milk Products.	Rome	Apr. 13-18
U.N. Committee for the Purpose of Determining When the General Assembly Should Consider the Question of Defining Aggression.	New York	Apr. 14-17

¹ Prepared in the Office of International Conferences, Apr. 17, 1959. Asterisks indicate tentative dates. Following is a list of abbreviations: CCIR, Comité consultatif international des radio communications; CCITT, Comité consultatif international télégraphique et téléphonique; ECAFE, Economic Commission for Asia and the Far East; ECLA, Economic Commission for Latin America; ECOSOC, Economic and Social Council; FAO, Food and Agriculture Organization; GATT, General Agreement on Tariffs and Trade; IAEA, International Atomic Energy Agency; IA-ECOSOC, Inter-American Economic and Social Council; IBE, International Bureau of Education; ICAO, International Civil Aviation Organization; ICEM, Intergovernmental Committee for European Migration; ILO, International Labor Organization; IMCO, Intergovernmental Maritime Consultative Organization; ITU, International Telecommunication Union; NATO, North Atlantic Treaty Organization; OAS, Organization of American States; PAHO, Pan American Health Organization; SEATO, Southeast Asia Treaty Organization; TAA, Technical Assistance Administration; U.N., United Nations; UNESCO, United Nations Educational, Scientific and Cultural Organization; UNICEF, United Nations Children's Fund; WHO, World Health Organization; WMO, World Meteorological Organization.

Calendar of International Conferences and Meetings—Continued

Adjourned During April 1959—Continued

FAO <i>Ad Hoc</i> Committee on Campaign To Help Free the World From Hunger.	Rome.	Apr. 15-17
Caribbean Commission: Conference on the Financing of Agriculture.	Trinidad	Apr. 15-24
UNESCO Study Group on Works of Applied Art, Designs, and Models.	Paris	Apr. 20-23
ILO Meeting To Establish an Individual Control Book for Drivers and Assistants in Road Transport.	Geneva	Apr. 20-24
Permanent International Commission of Navigation Congresses: Committee Meeting.	Brussels.	Apr. 21-22
U.N. Commission on Narcotic Drugs: Committee on Illicit Traffic.	Geneva	Apr. 22-24
Conference on Food for Peace: Officials Meeting	Washington	Apr. 27-29

In Session as of April 30, 1959

Political Discussions on Suspension of Nuclear Tests	Geneva	Oct. 31, 1958-
Four-Power Working Group (preparatory to Foreign Ministers Meeting).	London	Apr. 13-
PAHO Subcommittee To Study the Constitution and Rules of Procedure.	Washington	Apr. 13-
U.N. Committee on Information From Non-Self-Governing Territories: 10th Session.	New York.	Apr. 20-
U.N. Economic Commission for Europe: 14th Session	Geneva	Apr. 20-
U.N. Social Commission: 12th Session	New York.	Apr. 27-
ILO Coal Mines Committee: 7th Session	Geneva	Apr. 27-
OAS Special Committee To Study New Measures for Economic Development ("Committee of 21").	Buenos Aires	Apr. 27-
U.N. Commission on Narcotic Drugs: 14th Session	Geneva	Apr. 27-
U.N. Lead and Zinc Committee	New York.	Apr. 28-
ICAO Aeronautical Information Services and Aeronautical Charts Divisions.	Montreal	Apr. 28-
South Pacific Conference: 4th Session	Rabaul, New Britain	Apr. 29-
WMO Executive Committee: 11th Session	Geneva	Apr. 29-

Scheduled May 1 Through July 31, 1959

12th International Cannes Film Festival.	Cannes	May 1-
PAHO Executive Committee: 37th Meeting	Washington	May 4-
U.N. Transport and Communications Commission: 9th Session.	New York	May 4-
U.N. International Study Group on Lead and Zinc	New York	May 4-
U.N. ECAFE Inland Transport and Communications Committee: Working Party of Telecommunications Experts.	Tokyo	May 4-
Conference on Food for Peace: Ministers Meeting	Washington	May 5-
GATT Intersectoral Committee	Geneva	May 6-
Rubber Study Group: Special Management Committee	London	May 11-
ITU International Telephone and Telegraph Consultative Committee (CCITT): Meeting of the Plan Subcommittee for South Asia and the Far East.	Tokyo	May 11-
GATT Committee on Balance-of-Payments Restrictions	Geneva	May 11-
Meeting of Four-Power Foreign Ministers	Geneva	May 11-
GATT Consultations With European Economic Community on Sugar.	Geneva	May 11-
U.N. ECLA Committee on Trade	Panamá.	May 11-
GATT Contracting Parties: 14th Session	Geneva	May 11-
FAO Technical Meeting on Fishery Cooperatives	Naples	May 12-
FAO Cocoa Study Group: Statistical Committee	Rome	May 12-
12th World Health Assembly.	Geneva	May 12-
U.N. Economic Commission for Latin America: 8th Session	Panamá.	May 13-
South Pacific Commission: 19th Session	Rabaul, New Britain	May 13-
FAO Cocoa Study Group: Executive Committee	Rome	May 13-
International Cotton Advisory Committee: 18th Plenary Meeting	Washington	May 13-
4th Inter-American Indian Conference	Guatemala City	May 16-
U.N. Commission on Sovereignty Over Natural Wealth and Resources.	New York	May 18-
U.N. ECOSOC Latin American Seminar on Status of Women	Bogotá	May 18-
UNESCO External Relations Commission	Paris	May 18-
FAO Group on Grains: 4th Session	Rome	May 18-
UNESCO Administrative Commission	Paris	May 18-
ITU Administrative Council: 14th Session	Geneva	May 19-
UNESCO Intergovernmental Advisory Committee for Major Project on "Mutual Appreciation of Eastern and Western Cultural Values": 2d Meeting.	Paris	May 19-

16th International Congress of Veterinarians	Madrid	May 21-
ILO Governing Body: 142d Session (and Committees)	Geneva	May 25-
ICAO Panel for Coordinating Procedures Respecting the Supply of Information for Air Operations (P.I.A. Panel).	Montreal	May 25-
NATO Civil Defense Committee	Paris	May 25-
UNESCO Executive Board: 54th Session	Paris	May 25-
U.N. Special Fund: 2d Session of Governing Council	New York	May 26-
WHO Executive Board: 24th Session	Geneva	May
U.N. Scientific Advisory Committee of Atomic Energy	New York or Geneva	May
IAEA Symposium on Radioactivation Analysis	Vienna	June 1-
Inter-American Commission of Women: 13th General Assembly	Washington	June 1-
International Commission for Northwest Atlantic Fisheries: 9th Annual Meeting.	Montreal	June 1-
FAO Committee on Commodity Problems: 31st Session	Rome	June 1-
U.N. Trusteeship Council: 24th Session	New York	June 2-
ILO Conference: 43d Session	Geneva	June 3-
Customs Cooperation Council: 14th Session	Brussels	June 8-
FAO/UNICEF Joint Policy Committee: 2d Session	Rome	June 8-
FAO Council: 30th Session	Rome	June 15-
6th International Electronic and Nuclear Exhibit and Congress	Rome	June 15-
GATT Group of Experts on Restrictive Business Practices	Geneva	June 15-
ICAO Assembly: 12th Session	San Diego	June 16-
South Pacific Research Council: 10th Meeting	Nouméa, New Caledonia	June 17-
International Whaling Commission: 11th Meeting	London	June 22-
IMCO Maritime Safety Committee: Subcommittee on Tonnage Measurement.	London	June 24-
9th International Berlin Film Festival	Berlin	June 26-
FAO Desert Locust Control Committee: 6th Session	Rome	June 29-
GATT Committee on Balance-of-Payments Restrictions	Geneva	June 29-
15th International Dairy Congress	London	June 29-
U.N. Economic and Social Council: 28th Session	Geneva	June 30-
U.N. ECAFE Conference of European Statisticians: 7th Session	Geneva	June
Permanent International Commission of Navigation Congresses: Annual Meeting.	Brussels	June
Executive Committee of the Program of the U.N. High Commis- sioner for Refugees: 2d Session.	Geneva	June
IA-ECOSOC Permanent Technical Committee on Ports: 2d Meeting.	Montevideo	June
Inter-American Travel Congresses: 3d Meeting of Technical Com- mittee of Experts on Travel Plant.	Washington	June
U.N. ECAFE/FAO Working Party on Utilization of Wood Poles	Bangkok	July 1-
International Seed Testing Association: 12th Congress	Oslo	July 6-
UNESCO/IBE: 22d International Conference on Public Educa- tion.	Geneva	July 6-
IMCO Council: 2d Session	London	July 20-
Caribbean Commission: Conference on Revision of Agreement for Establishment of the Commission.	Trinidad	July*
IAEA Seminar on Training of Specialists in the Peaceful Uses of Atomic Energy.	Saclay, France	July
U.N. ECAFE Working Party on Small-Scale Industries and Handi- craft Marketing: 6th Meeting	Singapore	July
U.N. ECOSOC Technical Assistance Committee	Geneva	July

Current U.N. Documents:

A Selected Bibliography¹

Security Council

Letter Dated 5 February 1959 From the Acting Permanent Representative of Pakistan Addressed to the President of the Security Council Concerning Kashmir. S/4157. February 6, 1959. 2 pp. mimeo.

Letter Dated 6 February 1959 From the Acting Permanent Representative of Thailand Addressed to the

Secretary-General Concerning Relations With Cambodia. S/4158. February 7, 1959. 2 pp. mimeo.
Letter Dated 19 February 1959 From the Permanent Representative of the United Arab Republic Addressed to the President of the Security Council Concerning Israeli Aggression. S/4164. February 20, 1959. 2 pp. mimeo.

Economic and Social Council

Economic Commission for Asia and the Far East. Report of the Working Party on Co-Ordination of Transport to the Inland Transport and Communications Committee (Eighth Session). E/CN.11/TRANS/137. January 2, 1959. 31 pp. mimeo.

Customs Convention on the International Transport of Goods Under Cover of TIR Carnets (TIR Convention) and Protocol of Signature. E/ECE/332. January 15, 1959. 65 pp. mimeo.

¹ Printed materials may be secured in the United States from the International Documents Service, Columbia University Press, 2960 Broadway, New York 27, N.Y. Other materials (mimeographed or processed documents) may be consulted at certain designated libraries in the United States.

American Republics Draft Agreement for Inter-American Development Bank

The Specialized Committee for Negotiating and Drafting the Instrument of Organization of an Inter-American Financial Institution, convoked by the Inter-American Economic and Social Council on October 9, 1958, began its work at the Pan American Union, Washington, D.C., on January 8, 1959. The Committee negotiated and drafted an agreement for the proposed Inter-American Development Bank and established a Preparatory Committee to be convoked by the Secretary General of the Organization of American States for September 15, 1959. Following is a statement made at the final plenary session of the Specialized Committee on April 8 by the U.S. representative, T. Graydon Upton, Assistant Secretary of the Treasury, together with the text of the resolution setting up the Preparatory Committee. Copies of the Final Act, which includes the text of the agreement, may be obtained at a nominal cost by writing to the Pan American Union, Washington, D.C.

STATEMENT BY MR. UPTON

Mr. Chairman, Mr. Secretary General, fellow delegates to the Specialized Committee:

I have the honor to read a statement by the President of the United States:

The proposal for an Inter-American Development Bank has taken concrete form as a result of the negotiations which have just been concluded in Washington. Such an inter-American financial institution has been an aspiration and hope of Latin American countries for decades.

I believe that the proposed Inter-American Development Bank, when approved by the members of the Organization of American States through their regular legislative processes, will make a significant contribution to the continuing economic progress of the American Republics and stand as an enduring testimonial to the spirit of cooperation among these nations. I congratulate the representatives of the nations concerned for their work in advancing the proposed bank to the point marked by today's event.

I also would like to read a letter addressed to me by the Secretary of the Treasury, Robert B. Anderson:

DEAR MR. UPTON: I congratulate you and the other members of the Specialized Committee who are today completing the final step in drafting a charter for the proposed Inter-American Development Bank.

I am confident that the proposed bank will become a major instrument of economic cooperation among the American Republics. As a result of the negotiations during the past three months in Washington, the ideas discussed at the meeting of Ministers of Finance or Economy in Buenos Aires in August of 1957¹ have now been given a definite and concrete form. The instrument which has been drafted will provide the basis for the institution to carry out its operations in an effective and responsible manner, with the active participation of the Latin American countries in all its activities.

I would be pleased if you would read this letter at the closing session at the Pan American Union as an expression to all concerned of my deep satisfaction.

Sincerely,

ROBERT B. ANDERSON

At the invitation of the Inter-American Economic and Social Council and under the instructions of our governments, we met together in this room just 3 months ago to begin a very challenging task. We had been asked to draft a charter for an inter-American financial institution, to bring to realization the hopes and dreams for such an institution which had existed for the last 60 years. We were instructed to remain in continuous session until we could transform these aspirations of the past into a concrete, specific instrument for dealing with the development problems of the present. Today our work is completed. The charter for the Inter-American Development Bank lies before us on the table.

One of the distinguished delegates reminded us the other day of the proverb that a journey of a thousand miles begins with a single step. The step we have taken here is a long one and a firm one which starts us straight toward our objective of speeding still further the economic development of all the American Republics.

It has been said that there is nothing more powerful than an idea whose hour has arrived. The hour for the idea of an Inter-American Development Bank has now arrived. Its arrival has been hastened by the unremitting hard work and the real sense of give and take which has characterized this meeting. It has been hastened by the fine feeling of inter-American cooperation which has been displayed by every delegate to this Specialized Committee. To those of you who have not participated in our work for 13 busy weeks, these words may sound like the usual formalities of a closing ceremony. But those who have shared the

¹For background, see BULLETIN of Sept. 16, 1957, p. 463, and Sept. 30, 1957, p. 539.

close analysis of every phrase and every paragraph, the long hours of discussion with which we clarified our objectives, the search for a satisfactory capital structure—you will know that I speak sincerely.

Delegates from 21 nations do not spend 3 intensive months working on a complex problem of the type with which we were faced without having honest differences of opinion. My admiration is very high indeed for the manner in which individual delegates presented and supported the positions of their governments. But together, country by country, delegate by delegate, we placed our individual concepts under searching examination. Many of our original thoughts were revised, clarified, and given precise expression by the process of analysis and examination and are found in the charter before us.

When so many outstanding individuals have participated constructively in our work, it would be difficult to suggest which delegate made which contribution to our success. Nevertheless there was one individual whose unlimited and conscientious toil, whose unfailing good humor, and whose ability to bring about the most satisfactory merger of different viewpoints were outstanding. On many occasions he found the path to our continued progress. His optimism carried us through many a long and difficult session. I refer, of course, to our chairman, Dr. Mario O. Mendivil. To him belong our affectionate and sincere thanks. May he wear this achievement proudly.

The sincere thanks of the Committee are also due, and overdue, to the Organization of American States and to its Director General, Dr. [José A.] Mora. The able chairman of the Inter-American Economic and Social Council, Sr. Lic. Rafael Glower Valdivieso, served as vice chairman of the Committee and assisted Dr. Mendivil and all the rest of us in the successful conclusion of our work.

We would not be here today celebrating the completion of our work were it not for the devoted and intelligent support which the secretariat of the Organization of American States has provided us through long and grueling hours of drafting, translation, duplication of documents, and other services. Our thanks are due to Dr. [Cecilio J.] Morales, Secretary General of the Specialized Committee, and to Dr. [Pedro] Irañeta, and to many of their associates. My delegation, in particular, owes a debt of gratitude to the translation

staff which enabled us to follow the negotiations with speed and clarity.

Resisting the temptation to name every delegate, I think the Committee must also express its appreciation for the outstanding work of the officials of the various subcommittees. The delegate from Chile, Sr. Don Felipe Herrera, moved the work of subcommittee 2 forward with dispatch. Subcommittee 1 started its work under the energetic and experienced hand of Dr. Ignacio Copete Lizarralde of Colombia. When Dr. Copete found it necessary to return to his own country, Sr. Don Jorge Hazera of Costa Rica carried forward the work of subcommittee 1, which was called upon to handle very complex portions of the Committee's work. The Style Committee worked long and tirelessly under the direction of Sr. Don Jorge Marshall of Chile. The Committee on Credentials concluded its work promptly under the chairmanship of Ambassador Virgilio Díaz Ordóñez.

I would also like to give my personal thanks to those who served with me in the U.S. delegation. They include representatives of the Departments of State and Treasury, the Export-Import Bank, and the Development Loan Fund. I would also like to thank those who, by sitting on the National Advisory Council on International Monetary and Financial Problems, of which Secretary Anderson is chairman, served as the coordinating avenue for the U.S. delegation position.

The charter is now completed. We may all spend a moment looking back with satisfaction on a job well done, but after this brief pause we must again look forward, not back. We must now all do our utmost to bring about expeditious consideration of the Inter-American Development Bank by our respective legislative bodies.

This Committee now disbands, its work completed. Each of us can point with pride and contemplate with honor the results of our labors.

The charter which we are submitting today calls for an institution of the American Republics, which will work for the benefit of the American Republics, and which will be staffed and operated by the American Republics. It is our institution. We are happy to be in a position today to participate in signing the Final Act which this Specialized Committee has prepared. We look forward with confidence to a future for the Inter-American Development Bank which will make it a

focal center for the financial and economic progress of all Latin America.

RESOLUTION ON PREPARATORY COMMITTEE

1. A Preparatory Committee for the Inter-American Development Bank is hereby established to perform the following functions:

(a) To establish the rules of procedure for its activities;

(b) To take the necessary steps for the preparation of the first meeting of the Board of Governors, including the drafting of an agenda and provisional regulations for that meeting; and

(c) To prepare for consideration by the Board of Governors at its first meeting such studies as the Committee deems necessary on technical, administrative, and legal matters related to the establishment of the Bank.

2. The Preparatory Committee shall perform its duties until the first meeting of the Board of Governors. The Committee shall be composed of one representative of each of the following countries:

Argentina

Brazil

Chile

Costa Rica

El Salvador

Mexico

United States of America

The first meeting of the Preparatory Committee will be held on September 15, 1959.

3. The Preparatory Committee shall make arrangements with the General Secretariat of the Organization of American States as to the cooperation of that Secretariat with the Committee, especially with respect to providing personnel and space for its work.

4. Once the Agreement Establishing the Inter-American Development Bank has entered into force, pursuant to Article XV, Section 2, the Committee may have at its disposal, to enable it to perform its functions, not more than 20 per cent of the resources which are required to be delivered pursuant to Section 1(c) of that article.

5. Each government shall defray the expenses incidental to its representation on the Preparatory Committee.

Situation of International Trade in Primary Commodities

*Statement by Thomas C. Mann
Assistant Secretary for Economic Affairs¹*

My country ranks second to none in its interest in promoting the steady and rapid development of Asia, Africa and Latin America within a prosperous world economy. We appreciate the clear relationship of commodity problems to these objec-

tives. If there are possibilities for reducing the severity of fluctuations in the prices of primary products which are being overlooked, the United States has an obvious interest in having them brought to light. If these possibilities appear to be sound and constructive, the United States is certainly prepared to give them serious consideration.

The United States shares in the general concern over problems of commodity trade for the further reason that it is itself one of the world's largest producers and traders of primary products. As exporter or importer, we account for more than one-third of world trade in the leading primary commodities. We supply in some years more than half of the world's exports of coal and corn and between a third and a half of the world's exports of wheat, cotton, and tobacco. We are also the largest single market for many commodities. We must import all of our requirements of some commodities and a large and generally increasing share of our requirements of others. Thus, the United States has, in the recent past, been the destination for over half of the world's exports of coffee and tin and for between a third and a half of the world's exports of lead, zinc, cocoa, and bananas.

Outlook for Primary Commodity Markets

When this Commission met last year the outlook for primary commodity markets was uncertain and the source of considerable concern. We meet today under better circumstances. The recession in the United States was short and relatively mild. I am pleased to say that it did not occasion any decline in United States imports of foodstuffs and other consumer goods, while decline in United States imports of industrial raw materials did not exceed 2 percent in volume. United States production bore the brunt of reduced demand in a number of cases. United States exports of primary products also declined in this period. As the current *Commodity Survey*² points out, the cutback in import demand in Western Europe and Japan affected exports from the United States to a greater extent than exports from other suppliers, including the

¹ Made at the 7th session of the U.N. Commission on International Commodity Trade at New York, N.Y., on Mar. 16 (U.S./U.N. press release 3157). Mr. Mann is the U.S. representative on the Commission.

² U.N. doc. E/CN. 13/33.

less developed countries. Commodity prices, with some conspicuous exceptions, have strengthened and stabilized. For a number of commodities, lower prices have meant an improved competitive position and expanded markets.

All of this does not mean that commodity problems are no longer of serious current concern for many countries and of continuing, recurrent concern to us all. While the experience of the recent past shows once again that the industrial countries have the ability and will to moderate fluctuations in business activity, it also shows that recessions, though neither deep nor prolonged, may weaken individual commodity markets and thus, for a time, reduce the income of countries dependent on these markets. Moreover, as other speakers have noted, and as the secretariat's fine study [*Commodity Survey*] and the working party's useful summary³ amply demonstrate, current demand is only one part of the story. There are other short-term, or long-term, factors at work in the case of some commodities which can lead to excess supplies and unprofitable prices at any prospective levels of demand.

In the year and a half that I have been in my present position, no aspect of our foreign economic policy has received more attention within the United States Government than international commodity problems, nor proved more stubborn to deal with. I have heard many suggestions as to what we and others should do about them. I have listened with an open mind. I have been unable to convince myself that intergovernmental agreements regulating prices or trade are generally feasible or desirable. There are exceptions. For example, I imagine none of us would welcome the elimination of the agreements which exist in regard to coffee, sugar, tin, and wheat. Possibly other arrangements of one kind or another may be adopted in the future in respect to other commodities. But generally speaking the burden should be on the proponents of stabilization schemes to show that they are in the best interest of the less developed countries—and by “best interest” I mean the long- as well as the short-term interest of these countries.

At a time when productive capacity has, in many cases, temporarily outstripped demand, with consequent building up of surpluses, a suggestion

which I frequently hear is that we resort to international stockpiling for stabilization purposes, or to internationally financed national stockpiles. Although we have not had much international experience with stockpiling, we have had considerable experience at the national level, particularly in my country. As the current *Commodity Survey* indicates, one result of our stockpile programs has been to create a false demand for a time and thereby encourage not stabilization but imbalance.

Many of you are familiar with how this has worked in the case of lead and zinc. In 1954 President Eisenhower announced that, rather than approve the recommendation of the Tariff Commission for increased tariffs, he was instituting an expanded stockpile program for domestic lead and zinc and directing the Secretary of Agriculture to barter surplus agricultural products for foreign lead and zinc, which would go into the supplemental stockpile.⁴ We find now that, by this action, we only postponed the day of reckoning when producers of lead and zinc around the world must go through the agonizing process of cutting back their current output until it is more nearly in balance with consumption.⁵ We had hoped to buy a little time in which these adjustments could be made gradually and relatively painlessly. But the combination of relatively high prices and an assured market for any output above commercial demand discouraged the necessary adjustments. It provided the incentive for continued excess production, not for production adjustments.

Another possible expedient which is frequently discussed as a means of keeping the pressure of current excess supplies off the market and of maintaining prices is to have exporters agree to establish export quotas which would regulate the amount coming onto the market and allocate that amount among exporters in accordance with some historical pattern of trade. Although quotas are, as in the case of coffee, sometimes necessary as emergency stopgap measures, I am troubled when people speak of them as *solutions* to problems of imbalance. Quotas do give governments time to find solutions to the basic problem of overproduction (or in special cases underconsumption), but

⁴ BULLETIN of Sept. 6, 1954, p. 339.

⁵ For background, see *ibid.*, Oct. 13, 1958, pp. 579 and 583.

³ U.N. doc. E/CN.13/L.64 and Corr. 1.

unless promptly accompanied by production cut-backs, which, experience shows, are politically difficult to impose, they accomplish little good and in the long run can be harmful.

Unless the arrangement covers all producers, it allows nonparticipating countries to reap the benefits of the arrangement and stimulates expansion in their production, counteracting the efforts of the participants to achieve a better balance of supply and demand on the market. If the arrangement is complete in its coverage, it has the disadvantage of protecting established exporters, including those who may be uneconomic, and limiting trade expansion for new exporters.

In any case, such arrangements tend to build up stocks in the hands of producers, which sooner or later will be seeking markets. Such arrangements may, therefore, in the end, prove more destabilizing than stabilizing. One comes down to the fact that, if the problem is one of an underlying imbalance between supply and demand, one must either increase demand by artificial means, or decrease production, or give up any idea of price stability.

Whatever device is used to stabilize prices of particular products, the additional problem remains that producers may soon find that they are losing customers. Buyers of these commodities may either consume less or begin to employ substitutes. For example, when lead prices went up in the United States, an important outlet for lead, the use as insulation for cables, was impaired, as industry shifted to the use of polyethylene and aluminum. Similarly, high cotton prices have contributed to the increased use of synthetic fibers.

Conversely, where prices are free to move downward in response to market factors, the loss this entails is sometimes quickly offset by increased sales. The extent to which this occurs varies, of course, from commodity to commodity.

Chapter 2 of the *Commodity Survey 1958* contains a few examples of how lower or higher prices affect sales, even in the short term. Thus there was a marked expansion of butter consumption in the United Kingdom, the Netherlands, and Sweden as a result of the lower prices which developed for these products in 1957, with butter consumption in the United Kingdom exceeding margarine consumption for the first time since the war. Similarly, in the case of Malaya and Thailand the fall

in unit export values for rubber is reported to have been "made good, more or less by an expansion of volume."

As another example, the *Survey* notes that "as is common in the case of cocoa . . . higher prices tended to generate resistance." In the United States and elsewhere consumption began to fall off as cocoa prices moved up.

Experience With Price Support Programs

The United States is not without experience in the field of price regulation. Its agricultural price support programs go back to measures initiated approximately 30 years ago. Price supports in the case of the basic agricultural commodities have been accompanied by attempts to restrict production. Nevertheless, surplus stocks of these commodities have accumulated and are increasing, rather than diminishing, owing to increase in yields per acre, encouraged by the resulting price incentives and made possible by advances in technology.

These programs, instead of building up markets for American cotton, wheat, corn, and tobacco, have resulted in the loss of American markets. They have at one and the same time stimulated expansion of United States and foreign output of these products and priced the United States product out of its share of world markets. As our Secretary of Agriculture has often stated, the only United States agricultural products that "are in trouble—and that have been in trouble" are the few that "have looked to unrealistic supports and controls rather than to freedom and flexibility for their prosperity." In his farm message to the Congress of January 29 President Eisenhower reviewed this situation and renewed and strengthened his request for farm legislation that will reduce the incentive for unrealistic production and permit the growth of commercial markets.

Many other countries also have programs for supporting prices of agricultural products. The effect on the supply and trade situation in many commodities is a matter of growing concern. In the case of grains, for instance, the FAO Group on Grains points out that, as a direct consequence of official intervention, the traditional economic forces which formerly shaped the pattern of production and international trade in grains have lost much of their influence. This Commission has

heard from the representatives of FAO [Food and Agriculture Organization] and GATT [General Agreement on Tariffs and Trade] of the attention being urgently given by these bodies to this issue of agricultural policies which distort production and trade patterns from their normal economic lines.

There may be exceptional situations in which international regulation of commodity prices or trade is found to be a logical and desirable supplement to widespread national regulation, as in the case of sugar and wheat. Or there may be occasional cases in which restrictive measures are found to be necessary, pending an expected reversal in developments or the formulation of a program for effecting basic adjustments in supply or demand. The present situation in coffee may be cited as an example. But such cases are, in our view, exceptional.

Other Ways of Dealing With Problem

What other things can be done which help, in a sound and constructive way, to deal with the problems associated with commodity trade?

One necessity is, of course, to have adequate resources available for any necessary assistance to countries in temporary balance-of-payments difficulties, such as may result from a sharp drop in export earnings due to the behavior of commodity markets. The members of the Commission are familiar with the steps now being taken to increase the resources and quotas of the International Monetary Fund.⁶

There are other things which, having in mind the old adage that "a stitch in time saves nine," are directed toward treating causes rather than effects. There are at least five of these worth noting.

First among these, as several other speakers have noted, are continued efforts to promote economic diversification and growth. Much is already being done, both bilaterally and multilaterally, to assist the less developed countries in planning, financing, and carrying out their economic development programs. Also, as the less developed countries recognize, they themselves can do much to further this objective through sound fiscal and financial policies and other internal measures.

⁶ For background, see *ibid.*, Mar. 30, 1959, p. 445.

A second element in the attack upon causes is the reduction or elimination of unnecessary governmental barriers to trade. Through the GATT in particular we have long sought to reduce tariffs, quotas, and other restrictive commercial policy measures which distort and restrain trade. Other impediments are such things as export taxes and unrealistic exchange rates in exporting countries and high revenue duties, consumption taxes, and restrictive government-trading operations in importing countries. We have just received a report indicating that, in connection with a GATT study of possibilities of expanding the trade of the less developed countries, a number of these subjects may soon receive specific attention there.

A third element is further progress in learning to moderate the impact of business cycles and to maintain an adequate rate of economic growth. Much progress has been made in this respect, but more can presumably be done.

Fourthly, there are the things which can be done, and are in many cases already being done, by the primary exporting countries themselves to make their products more sought after on world markets and otherwise to make themselves less vulnerable to fluctuations on world markets. I have in mind, for instance, improvements in the organization, procedures, and techniques for marketing their export products, which may be brought about through establishment of export grade standards, provision for effective inspection, and encouragement of greater economy in the handling and preparation of shipments for export. In this connection, note must be taken of the important assistance in these matters which the FAO and the independent commodity study groups are giving; also of the contributions being made in many cases by private industry. I have in mind also that there may be promising possibilities in some cases of reducing production costs and improving the quality of the product. The replanting programs of some of the rubber-producing countries are a case in point.

There are also the possibilities of fiscal and financial policies which can minimize the difficulties arising from instability of export earnings, such as the Brazilian delegate, Mr. [Octavio A. Dias] Carneiro, has drawn to our attention.

The fifth element in the attack upon causes is the relatively simple one of keeping governments

as well informed as possible of what lies ahead in terms of supply and demand and the technological advances which periodically alter the outlook. Many organizations are making important contributions in this respect, but here again more can be done and the CICT, without intruding into the responsibilities of these other bodies, can clearly make a contribution in this field.

This approach which I have outlined is predicated upon the fact that the demand for primary products is growing and will continue to grow, due to population increases, rising standards of living, and the economic development of Asia, Africa, and Latin America. A sound commodity policy, international or national, should, we think, be tailored to this fundamental fact and allow commodity trade to benefit to the fullest extent possible from these natural factors of growth.

Some worthwhile suggestions for the work program of the Commission have been put forward by other delegations, such as the Canadian suggestion for a study relating to business cycles and the suggestion made by Brazil and Argentina, among others, that attention be given to national measures which tackle the problems of market instability in one way or another. We shall listen with interest to the views expressed in the balance of this debate and in the consideration of agenda item 8⁷ and are confident that a useful program will be evolved.

We see many illustrations over the years of the fact that international discussion of common problems brings governments closer together in their views. A recent example which the United States notes with great appreciation is the announcement to this Commission that Brazil, as a major revision of its international commodity policy, agrees that the commodity-by-commodity approach appears to be the only practical approach. I believe that the difference among governments over the issues of commodity trade, which have seemed to loom rather large at times, will continue to lessen as the Commission moves forward with its work.

I personally feel also that more progress is being made in coping with the problems of commodity trade, including market instability, than may appear on the surface. We are too close to the present to see this clearly, but as we look back on this

⁷ Agenda item 8 deals with the future program of work.

period in a matter of a few more years I believe we will see that important foundations have been laid for gradual improvements in the conditions of commodity trade and for minimizing the consequences of adverse conditions. I trust we will find that high among these gains has been the decision to reconstitute the Commission with broad and realistic terms of reference.

The United States is sincerely interested in joining with other governments in studying the problems of commodity trade, both on the commodity-by-commodity basis which is necessary if progress in alleviating the special difficulties of particular situations is to be made and in the more general, comprehensive terms which are open to and appropriate for the CICT. We have faith that further progress in dealing with commodity problems can and will be made, by ways which will not do violence to the principles of sound economics—which none can ignore except at their peril—and yet will significantly reduce the impact of world market movements upon the economies of the less developed countries.

U.S. Delegation Submits Report on First Meeting of IMCO

Press release 269 dated April 17

Millard G. Gamble, chairman of the U.S. delegation to the First Assembly of the Intergovernmental Maritime Consultative Organization (IMCO) at London January 6-19, 1959, on April 17 transmitted to the Acting Secretary of State the official report of the delegation.¹

IMCO is the latest of the specialized agencies of the United Nations. It was established to perform functions for shipping somewhat similar to those of ICAO (International Civil Aviation Organization) for air transport. Although the IMCO convention was written in 1948 at the United Nations Maritime Conference at Geneva, it did not come into force until March 17, 1958, due largely to disagreement concerning whether the Organization should be limited to technical and navigational functions or whether it should also have economic responsibilities.

¹ Copies are available upon request from the Shipping Division, Office of Transport and Communications, Department of State, Washington 25, D.C.

The agenda of the January meeting, being the first, was limited to organizational matters such as the establishment and scheduling of meetings of subsidiary bodies, the nature and scope of the initial work program, budgetary problems and cost sharing.

The delegation's report points out that many decisions of the conference were taken in accordance with U.S. proposals, made either at the January conference or previously adopted by the IMCO Preparatory Committee at its meeting in June 1958. Among the important U.S. positions adopted were the limited initial work program, small staff and budget, agreement on a smaller U.S. cost-sharing base than is in effect in the United Nations, and the election of Japan, Italy, and West Germany to seats on the IMCO Council or governing body.

The delegation's report states that in only one instance was the delegation unable to achieve, either wholly or substantially, its objectives. In the case of the election of the 14 members of the Maritime Safety Committee, the delegation sought unsuccessfully to secure seats for Liberia, Panama, China, and Israel. In the case of Liberia and Panama, which became members of IMCO at the last moment and just as the IMCO Assembly was meeting, the United States and a number of other countries followed an interpretation of the IMCO convention which it has believed to be correct since 1948, i.e., that the first eight member countries to be represented on the Maritime Safety Committee must be those having an important interest in maritime safety and having under their registries the largest gross tonnage of shipping.

When it became evident that a number of delegations intended to contest this interpretation, the United States proposed a compromise whereunder the election would be postponed until the second IMCO Assembly meeting and a provisional body would perform the Committee's functions during the interim. According to the report, "The United States compromise proposal, advanced in an effort to postpone the issues until after mature consideration had been given, was defeated by a margin of two votes, but the United States gained great prestige in the eyes of many delegations by reason of this sincere effort to compose the differences of opinion and avoid dissension."

TREATY INFORMATION

Current Actions

MULTILATERAL

Automotive Traffic

Convention on road traffic with annexes. Done at Geneva September 19, 1949. Entered into force March 26, 1952. TIAS 2487.

Notification by United Kingdom of application to: Gambia, March 25, 1959.

Convention concerning customs facilities for touring. Done at New York June 4, 1954. Entered into force September 11, 1957. TIAS 3879.

Notification by the United Arab Republic of application (with reservation) to: Syrian Province, March 26, 1959.

Customs convention on temporary importation of private road vehicles. Done at New York June 4, 1954. Entered into force December 15, 1957. TIAS 3943.

Notification by the United Arab Republic of application to: Syrian Province, March 26, 1959.

Postal Services

Universal postal convention with final protocol, annex, regulations of execution, and provisions regarding air-mail with final protocol. Done at Ottawa October 3, 1957. Entered into force April 1, 1959. TIAS 4202.

Ratifications deposited: Iceland, November 27, 1958; Jordan, March 2, 1959; Belgium (including Belgian Congo and Ruanda-Urundi), March 5, 1959; Finland, March 6, 1959.

BILATERAL

El Salvador

Agreement amending the Army Mission agreement of September 23, 1954, as extended (TIAS 3144 and 4146), and the Air Force Mission agreement of November 21, 1957 (TIAS 3951). Effected by exchange of notes at San Salvador March 16 and 31, 1959. Entered into force March 31, 1959.

France

Agricultural commodities agreement under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (68 Stat. 455; 7 U.S.C. 1701-1709), with memorandum of understanding and exchange of notes. Signed at Paris March 21, 1959. Entered into force March 21, 1959.

Ghana

Agreement providing for duty-free entry into Ghana and exemption from internal taxation of relief supplies and packages. Effected by exchange of notes at Accra April 9, 1959. Entered into force April 9, 1959.

Paraguay

Agreement amending the Air Force Mission agreement of October 27, 1943, as amended and extended (57 Stat. 1100, TIAS 2578 and 3339), and the Army Mission agreement of December 10, 1943, as amended and extended (57 Stat. 1184, TIAS 2578 and 3345). Effected by exchange of notes at Asunción February 20 and March 30, 1959. Entered into force March 30, 1959.

DEPARTMENT AND FOREIGN SERVICE

Confirmations

The Senate on April 8 confirmed the following nominations:

Ellis O. Briggs to be Ambassador to Greece. (For biographic details, see press release 199 dated March 18.)

Carl W. Strom to be Ambassador to Bolivia. (For biographic details, see press release 201 dated March 19.)

PUBLICATIONS

Recent Releases

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. Address requests direct to the Superintendent of Documents, except in the case of free publications, which may be obtained from the Department of State.

Basic Documents—UN Educational, Scientific and Cultural Organization. Pub. 6688. International Organization and Conference Series IV, UNESCO 35. x, 49 pp. 25¢.

A pamphlet containing the basic documents instrumental in the creation of UNESCO, a list of the member states, and information pertaining to the U.S. National Commission for UNESCO.

Foreign Service Institute. Pub. 6747. Department and Foreign Service Series 84. 24 pp. 15¢.

Catalog and general information concerning the Institute and its Schools of Foreign Affairs and Languages as of January 1959.

The Communist Economic Threat. Pub. 6777. European and British Commonwealth Series 53. 22 pp. 15¢.

The present publication is a condensation of the pamphlet entitled "The Sino-Soviet Economic Offensive in the Less Developed Countries" and includes the most recent data available regarding the Communist program of economic penetration.

NATO—The First Ten Years: 1949-1959. Pub. 6783. International Organization and Conference Series I, 40. 44 pp. 25¢.

A pamphlet describing the organization and accomplishments of NATO during the first 10 years of its existence.

Mutual Security in Action—Tunisia. Pub. 6784. Near and Middle Eastern Series 36. 12 pp. Limited distribution.

This fact sheet tells something of this North African nation, its people, the nature of the U.S. economic assistance program, and the objectives and accomplishments of that program to date.

Some Right and Wrong Thinking About American Foreign Assistance. Pub. 6790. Far Eastern Series 79. 13 pp. Limited distribution.

An address delivered by Thomas E. Naughten, Director, U.S. Operations Mission in Thailand, before the American Association at Bangkok, on January 27, 1959.

Air Transport Services. TIAS 4158. 7 pp. 10¢.

Agreement between the United States of America and Japan, amending agreement of August 11, 1952, as supplemented and amended. Exchange of notes—Signed at Tokyo January 14, 1959. Entered into force January 14, 1959.

Development Loan Fund—Use of Chinese Currency Repayments. TIAS 4162. 6 pp. 5¢.

Agreement between the United States of America and China. Exchange of notes—Dated at Taipei December 24, 1958. Entered into force December 24, 1958.

Weather Stations—Cooperative Program at Guayaquil. TIAS 4164. 3 pp. 5¢.

Agreement between the United States of America and Ecuador, extending agreement of April 24, 1957. Exchange of notes—Signed at Quito November 18 and December 30, 1958. Entered into force December 30, 1958.

Surplus Agricultural Commodities. TIAS 4165. 6 pp. 5¢.

Agreement between the United States of America and Finland—Signed at Helsinki December 30, 1958. Entered into force December 30, 1958. With related exchange of notes.

Surplus Agricultural Commodities. TIAS 4166. 3 pp. 5¢.

Agreement between the United States of America and Ecuador, amending agreement of June 30, 1958. Exchange of notes—Dated at Quito December 9 and 12, 1958. Entered into force December 12, 1958.

Surplus Agricultural Commodities. TIAS 4167. 3 pp. 5¢.

Agreement between the United States of America and Italy, amending agreement of October 30, 1956, as amended. Exchange of notes—Signed at Rome June 30, 1958. Entered into force June 30, 1958.

Utilities Claims Settlement Between the Unified Command and the Republic of Korea. TIAS 4168. 15 pp. 10¢.

Agreement between the United States of America and the Republic of Korea—Signed at Seoul December 18, 1958. Entered into force December 18, 1958. Operative retroactively July 1, 1957. With related exchange of letters.

Surplus Agricultural Commodities. TIAS 4169. 3 pp. 5¢.

Agreement between the United States of America and Spain, amending agreement of October 23, 1956, as amended. Exchange of notes—Signed at Madrid June 12 and July 30, 1958. Entered into force July 30, 1958.

Northwest Atlantic Fisheries. TIAS 4170. 5 pp. 5¢.

Protocol between the United States of America and Other Governments, amending convention of February 8, 1949—Dated at Washington June 25, 1956. Entered into force January 10, 1959.

Mutual Defense Assistance—Loan of United States Naval Vessels to Japan. TIAS 4171. 6 pp. 5¢.

Procès-verbal between the United States of America and Japan, relating to agreement of May 14, 1954—Signed at Tokyo January 6, 1959. With related exchange of notes—Dated at Tokyo January 6 and 9, 1959.

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Check List of Department of State Press Releases: April 13-19

Press releases may be obtained from the News Division, Department of State, Washington 25, D.C. Release issued prior to April 13 which appears in this issue of the BULLETIN is No. 248 of April 6.

No.	Date	Subject
*260	4/13	Educational exchange (Europe, Middle East).
†261	4/13	Rubottom: "Inter-American Progress Through the OAS."
†262	4/13	Becker: "Comments on the Responsibility of States."
263	4/13	Chiefs of Mission Conference, San Salvador.
264	4/13	Murphy: Notre Dame Club of Chicago.
265	4/13	Note to U.S.S.R. on air corridors in Germany.
266	4/16	Presidents of European communities to visit U.S.
267	4/16	Exchange agreement with U.S.S.R.
268	4/16	Investment guarantee program (Sudan, Tunisia).
269	4/17	IMCO delegation report.
†270	4/17	Barrows: "U.S.-Vietnamese Cooperation—the ICA Program Since 1955."

*Not printed.

†Held for a later issue of the BULLETIN.

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THE FIRST TEN YEARS

April 4, 1959, marked the 10th anniversary of the signing of the North Atlantic Treaty, which links the United States with 14 other free nations for our mutual security and progress.

This new Department of State publication, prepared in conjunction with the anniversary observance, describes the aims and achievements of NATO in its first decade of existence.

The colorful 44-page pamphlet, prefaced by a message from President Eisenhower, contains a series of questions and answers on NATO's purpose, organization, financing, and relationship to other international organizations of the free world. The publication is illustrated with drawings and with an organization chart.

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